JANUARY 1949

NOTES OF THE MONTH

Chinese Crisis; The French Budget; Meat from the Argentine

RUMANIAN OIL

Nationalization and Foreign Interests

NATIONALISM IN IRAQ

Internal Differences and Foreign Adventure

LAND REFORM IN HUNGARY

THE INDIAN DOMINION AND THE STATES

CHILE'S ECONOMIC PROBLEMS

THE WORLD TODAY

Volume V No. 1 January 1949

CONTENTS

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Volume V No. 2 February 1949

CONTENTS

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CONTENTS

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CONTENTS

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CONTENTS

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CONTENTS

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CONTENTS

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CONTENTS

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THE WORLD TODAY

Volume V No. 1 January 1949

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CHANGE OF EDITOR

WITH this issue the editorship of *The World Today* passes from the hands of Mr Hugh Latimer on his retirement. He became Editor of the *Bulletin of International News* in 1927, shortly after its inception, and continued as Editor when in 1945 *The World Today* and its supplementary Chronology succeeded the *Bulletin.*

For twenty-one years Mr Latimer has thus been responsible for one of the Institute's principal publications. During most of this time, in addition to editing the periodical and writing many of the articles, he himself compiled the daily chronology of events, producing a record remarkable alike for its accuracy and its comprehensiveness.

The Council of the Royal Institute of International Affairs takes this opportunity of recording its deep gratitude to Mr Latimer. They realize that the Institute has been extremely fortunate in having the benefit of his wide knowledge and sound judgment over this long period. These qualities were never of greater value than during the difficult days of the war, when he was faced with a vastly increased mass of news requiring the most careful sifting and selection.

The new Editor of *The World Today* is Mr John Bowle. His work as Lecturer and Tutor in Modern History at Wadham College, Oxford, and his published works, give him a background which will enable him to maintain the standard set by his predecessor.

*

NOTES OF THE MONTH

Chinese Crisis

'TO regain and maintain the confidence of the people, the Central Government will have to put into effect immediately drastic and far-reaching political and economic reforms. . . . It should be accepted that military force in itself will not eliminate

Communism.' Nothing need be added to this statement by General Wedemeyer of 24 August 1947 in explanation of the failure of the Kuomintang régime, except to remark that little or no reform has since taken place. It is not necessary to explain the Chinese Communist successes by reference to Russian aid: they have not needed such aid and, apart from a legacy of Japanese arms in Manchuria, they have not had it. The aid has all come from the United States, and, because of the habit of the ill-paid and apathetic Kuomintang troops of selling, or surrendering with, their arms, it has gone to both sides. The United States has secured little in return but to be generally and cordially disliked, and the whole episode has pointed once again both the particular dangers inherent in becoming involved in China, and the general dangers inherent in supporting any such régime.

'Has not the history of these thirty-one years proved the utter hypocrisy and complete bankruptcy of all those who are satisfied neither with imperialism nor with the Soviet Union, of all those so-called "middle road" or "third force" attempts to stand between the imperialists' counter-revolutionary front and the people's revolutionary fighting front against imperialism and its running dogs in various countries?' Again comment is superfluous: the writer is Mao Tse-tung; the date 6 November 1948. The Communist leaders have in the past modified their policies to suit their political convenience, but they remain full-blooded Marxists, and the best that can be hoped of them is a deviation on Titoist lines.

What then can be saved from the wreck? It has first to be said that developments in China are seldom rapid. The Communists have extended themselves in order to try to frighten the Kuomintang into abandoning the struggle and running with their loot, or to disgust the United States into writing China off. They would certainly like to press on into South China but will probably have to stop to digest the North China plain. In the second place, the Communists must secure the support of the small class of administrators and technicians in order to run the great cities they have now for the first time acquired. They will no doubt set up a 'Coalition' Government, but there is no evidence that they will win the support of this class if there is any acceptable alternative.

If further foreign aid there is to be, therefore, it is to be hoped that it will primarily be directed towards the establishment and support of a liberal civilian Government in South China with a genuine chance of popular support. The inept régime which has so long ruled China may now be forced to relinquish power to those who understand the need for rapid and vigorous reforms. Sun Fo, a weak politician, can hardly have the powers of leadership or of understanding required. T. V. Soong seems to have been carrying

through reforms in South China during the past year with vigour and not a little success, but is probably too closely linked in the public mind with the old régime to have much chance of popular support. There are, however other men, both liberal and able, who would undoubtedly undertake the task if the Government of China could once be rid of the old incubus. This the present crisis may achieve.

The French Budget

Nobody who squarely faces French financial problems can avoid being seized by a sense of helpless frustration. Here is a country far better placed than Great Britain on the fundamental question of population. Here, one feels, is a country where little would be needed to put things right, yet that little so far has been lacking, and it is with a certain scepticism, a scepticism reflected in the steady rise of gold and of the foreign currencies on the black market, that the French are watching the efforts of the Queuille Government to get a balanced Budget voted by the end of 1948. The Budget submitted to the French Assembly assesses ordinary expenditure at around francs 1,280 milliard, and extraordinary expenditure for reconstruction and re-equipment at some francs 620 milliard, thus making a total of approximately francs 1,900 milliard. Extraordinary expenditure is to be covered by the counterpart in francs of Marshall Aid, an exceptional increase in taxation, and the issue of a loan coupled with a fiscal amnesty for the subscriber; in other words, no questions asked as to where the money comes from.

The procedure which, at the request of the Government, the French Chamber has decided to adopt for the discussion of the Budget is exceptional but by no means new. It must be remembered that before the war the Budget had more than once not been voted by 31 December. When the delay was of only a few hours or days they would stop the clocks at the Palais Bourbon at midnight on 31 December until final approval had been reached, and the Budget would then be published in the *Journal Officiel* appearing in the first days of January but bearing the date of the 1st. More often Parliament would vote one or several 'Douzièmes Provisoires' allowing expenditure to run for one, two, or three months at the rate of the previous Budget. These harmful practices have since the war grown to such an extent that the final Budget for 1948 was only voted last August.

To avoid these delays, the Budget was already once before the war voted by 'Ministry', that is to say that instead of examining, discussing, and voting separately each Chapter of every Ministry's Budget (and they run to several hundreds), the Budget of each

Ministry would be voted and discussed as a whole. Such is the procedure which the French Assembly has decided to follow for the voting of the 1949 Budget.

Simultaneously with the Budget the Assembly are examining the fiscal reform which the Government had to table before the Assembly in execution of a law passed under the short-lived Reynaud Cabinet. The Government has power to carry out this reform by decree should Parliament fail to pass it by 31 December. This is as important as the Budget itself, since to balance the ordinary Budget and finance part of the extraordinary Budget the fiscal resources in their present state are quite inadequate and new ones must be found.

There is indeed nothing revolutionary about this fiscal reform. Without going into technicalities, one can say that it alleviates the rate of direct taxation whilst at the same time spreading its field of application. It also aims at increasing the control by abolishing some taxes whose yield was very small and the collection of which kept a number of tax inspectors busy.

Curiously enough, while in its Fiscal Reform Bill the French Government alleviates direct taxation, it at the same time increases these taxes in the Finance Bill. The official explanation given for this is that the fiscal reform is of a permanent nature, whilst the proposed increase in taxes is exceptional and intended to finance part of the extraordinary Budget (which covers non-recurring expenditure). However, many French commentators have been quick to point out that this was a mere trick designed to coat with sugar the bitter pill of increased taxation which the French public must now swallow.

At the time of writing, the finance committee of the Assembly has already badly mauled the Government's proposal. It has rejected the Government's proposal of fiscal amnesty for eventual subscribers to the loan, thereby depriving it of its only chance of success. It has also rejected the proposal to raise all taxes by 10 per cent but adopted an amendment imposing a 20 per cent tax on production. This reduces the estimated tax return by francs 55 milliard, and the committee expects the Government to bridge the gap by further economies.

Here the Government may be expected to run into further trouble, for in the debate in the Assembly the Right Wing parties will insist that these economies be realized on civil expenditure, whereas Communists and Socialists will insist on reducing military expenditure. The Government claims that the restriction of military expenditure to francs 350 milliard represents a real effort at economy in comparison with last year's figures.

No comment need be made on the Communists' objections to

military expenditure; as for the Socialists, their rank and file have not yet grown out of their sentimental anti-militarism of past years. Moreover, on purely political tactical grounds, military expenditure is the only one in which they can advocate cuts without running the risk of losing the votes of some of their supporters.

Such are the difficulties which Monsieur Queuille is facing. To establish the French Budget on a sound basis two problems must be solved, one being the very large scale tax evasions, and the other arising from the fact that taxes are largely paid by the wage earners and industrialists in a country where 45 per cent of the population are peasants and farmers.

Despite the claim by General de Gaulle that the present French Assembly no longer represents the country, it still represents it very well, at any rate in one respect. Every Frenchman agrees that the present state of affairs cannot continue, that the widespread tax evasion must cease, and that there must be a more equitable sharing of the fiscal load, and every Frenchman thinks that his neighbour should start setting an example by paying his taxes.

Meat from the Argentine

Señor Miranda, who as President of the National Economic Council controls Argentina's economic policy, is expected shortly in London. He will come to negotiate a new agreement with Great Britain to replace the Andes Agreement signed on 12 February 1948 and due to end on 31 March of this year. By the terms of that agreement Britain was to receive 420,000 tons of meat besides other goods, such as coarse grains, fats, and oils, to the value of about £110 million. The agreement provided for this sum to be offset against the payment by Argentina of the purchase price of £150 million for the British-owned Argentine railways. Further, it was agreed that the British Government would facilitate exports to Argentina of goods such as coal, steel, tin-plate, metals, chemicals, machinery, and petroleum products, while the Argentine would permit the entry of certain other British goods previously either restricted or prohibited.

The Andes agreement was concluded only after long and very hard bargaining. That Argentina not only drives a hard bargain, but is likely at her convenience to ignore the bargain made, may be seen from the following illustration. Some four months after the conclusion of the Andes Agreement, in which there had been no mention of meat by-products, such as horns and hooves, Argentina insisted that Britain should take her share of these waste products. This insistence took various ingenious forms which may be regarded as the stock in trade of totalitarian countries. British firms were refused permission to remit profits to the United

Kingdom; deliveries of meat to Great Britain were delayed; permits for certain imports from the United Kingdom to Argentina, which should under the Andes Agreement, have been automatically granted by Argentina, became even more difficult to obtain. By the end of July Great Britain gave in and agreed to take the meat by-products. This is not an isolated instance, but merely an illustration of the difficulties which Great Britain has encountered in her dealings with Argentina. Nor is Great Britain the only country to be treated by Argentina in this way. Switzerland, for example, has had somewhat similar experiences.

But Argentina too has her difficulties. Costs of meat production have risen steeply. Rapidly increasing industrialization, given further stimulus under her Five-Year Plan, has brought a drift of labour from the country to the towns. Wages have doubled in the last three years and extensive welfare schemes have added to labour costs. The price of Argentine meat, which has already more than doubled since 1946, is likely to rise still further. The Argentine Minister of Agriculture in the autumn of 1948 promised producers that any foreign country wishing to conclude an agreement for the purchase of Argentina's meat would have to pay a 'proper' price. Some 70 per cent of all Argentine meat produced is now consumed at home, a trend which has been officially encouraged. In seeking a market for the remaining 30 per cent, Argentina's first consideration is to obtain in exchange the goods she most needs to implement her Five-Year Plan. Most of these goods are obtainable only from the United States, and Argentina is at present suffering from an acute shortage of foreign exchange, particularly U.S. dollars. Although limited purchases of Argentine meat were made by the U.S. Army during 1948, the European Co-operation Administration failed to place the orders for grain on which Argentina had counted to secure substantial dollar reserves. She has, therefore, been forced to look to other, if secondary, sources for her requirements, and to this extent may in the end prove more amenable than she would otherwise have been.

Britain can supply some of Argentina's essential needs, such as coal, petroleum products, and certain types of machinery. These are Britain's weapons in the coming duel. Her Achilles heel is her dependence on Argentina for more than a quarter of all carcass meat at present consumed here annually. Although Britain may be hoping to increase imports from alternative sources in the future, none appear to be immediately available. Such, then, are some of the principal factors in the forthcoming negotiations, in which examples of Argentine tactics may perhaps already be seen in the delay in meat deliveries and the frequent postponement of Señor Miranda's arrival.

RUMANIAN OIL

NATIONALIZATION AND FOREIGN INTERESTS

BY a law passed on 11 June 1948 the Rumanian Parliament nationalized all the private industrial, mining, transport, and other undertakings of the country. Consequently, the petroleum companies have been taken over by the Government. A special fund is to be formed so that compensation can be paid in bonds out of the net profit of the nationalized industries. From now on, the Rumanian oil industry is under the care of three great regional departments of the Ministry of Mines and Petroleum which correspond to the three geographical regions of Rumania in which oil was, is, or is to be found: Muntenia, Moldavia, and Transylvania. As regards foreign trade, another State organization, Petrolexport, was given an export monopoly of oil and its derivatives and an import monopoly of the raw materials and chemicals for all industries. Lastly, a similar monopolistic State-organization, Competrol, was given the control and distribution of home consumption. Thus the functioning of the Rumanian oil industry, from its drilling to its sale, has been placed under the State's control. Nationalization has been achieved on paper, and the Communist Government claims to have reached its ideological goal.

In reality, the word 'nationalization' is, as will be seen, peculiarly ill-chosen. The unprecedented situation to which it gave rise, intriguing from an economic and political point of view, can best be examined in the light of a short survey of the history of Rumanian oil in the last few years.

During the war the oil industry suffered both from Allied bombing and from the intensive exploitation of the Germans. The bombing had disastrous effects upon the refineries, partly destroying the greatest of them; but bombing could hardly affect the oil-wells even when situated as close together as they are in the Prahova Valley. Therefore, while refineries were threatened by air attacks on their buildings and installations, the greatest danger to crude oil production lay in the wasteful and too rapid exploitation of the sub-soil demanded by the German Command. It must be remembered also that Rumania's production of crude oil in recent years was constantly declining and that the only way to preserve her partly exhausted fields would have been to deal carefully with the wells already under exploitation and at the same time to extend the area under exploitation by prospecting. Oil production in Rumania began in 1857, and the total amount extracted up to date is approximately 130,000,000 tons. Annual production increased from 1,848,000 tons in 1913 to 3,244,000 in 1926,

reaching the peak figure of 8,700,000 in 1936, after which production declined to 6,810,000 tons in 1938, falling in 1940 to 5,810,000 tons and *in* 1947 to 3,810,000 tons.

Natural exhaustion of the sub-soil and wasteful methods of exploitation both played their part in the decline of this, the only important non-Russian European source of oil. The most optimistic valuation of the reserves of oil under exploitation, according to the younger school of Rumanian geologists, is 20,000,000 tons, but there are grounds for hoping that, in unprospected regions, there are even greater reserves. The region at present under exploitation —geographically situated between the Jalomitza valley and the Buzeu valley—represents only 500,000 hectares, compared with the 2,000,000 hectares which Rumanian geologists consider worthy of exploration. The Rumanian Association of Industrialists has repeatedly proposed that the area near the Hungarian frontier, Semlac-Vârtosul, be opened for exploration. During the war, however, the Germans did not allow any extension of existing fields and asked companies to concentrate upon intensive exploitation To do this they had to close the less fruitful wells, which cannot now be re-opened, and drill wastefully the richer ones, which should only have been systematically emptied.

On 23 August 1944 King Michael, with the help of the National Opposition led by Juliu Maniu and Constantin Bratianu, declared war on Germany. On 12 September an armistice was signed by Rumanian delegates in Moscow with the representatives of the three Allied Powers. It is too often forgotten that, from the offer of an armistice made by M. Molotov to Rumania in April 1944 until the ratification of the Peace Treaty in October 1947, all relations between Rumania and the victors were based on a formal equality with all three of them. It was therefore hoped that in the case of the oil industry a normal situation would develop in which the under-equipped industry would be able, by providing an oil-starved Western Europe with petroleum products, to purchase the necessary new machinery and equipment. Russia's attitude was still unknown, but as she owned no shares in any Rumanian company and was herself a large producer of oil, it was hoped that, with certain reserves and under certain conditions, she would allow the natural complementary relationship between oil-importing Western Europe and the under-capitalized Rumanian oil industry to be resumed. In 1937, for example, the exports of Rumanian petroleum products were completely absorbed by Western Europe, in which the United Kingdom, with Malta, headed the list, followed by France, Italy, Germany, and Czechoslovakia, and the capital investments in Rumania of Britain, America, France, Holland, and Belgium reached the total of £100,000,000.

During September 1944 Russian troops, taking advantage of the cease-fire, were being rushed through Rumania to Hungary and Bulgaria, and the oil-fields consequently came under their control. When representatives of the other two Powers asked the representatives of the Red Army for permits to inspect the oil-fields, they were fobbed off with excuses, or refused outright. Behind the curtain of troops the Soviet authorities were hastily removing enormous quantities of pipes and drilling material, indispensable for the continuation of drilling, under the pretext that this was war-booty. Western public opinion first became aware of this on 2 December 1944, when Mr Eden declared that he had 'received a complaint about removal of some of the machinery', and on 6 December when he referred to 'the removal by Soviet authorities of certain equipment, such as pipes . . . the property of Rumanian companies in which British capital is heavily invested'. On 28 December the *New York Times* stated that President Roosevelt himself had summoned Mr Averell Harriman to take the matter up in Moscow. So began both the promised collaboration of a new Rumania with the Allies and the collaboration of those Powers themselves in one of the most important economic sectors of liberated Europe.

Looking back on the last four years one cannot assert that, from the beginning, the Soviet Government held to a definite or single line about the Rumanian oil industry. Two phases can be distinguished. The first was marked by a certain hesitancy, while the second can certainly be considered as a series of steps in a predetermined programme to be applied gradually. The first phase lasted until the Russian Government had, in general, decided upon Rumania's fate, and had assured themselves that they ran little risk in eliminating the Western Powers from that country—that is, until January 1945, when it became clear through the behaviour of both the Russian officials and the Communist Party that the installation of a puppet Government by M. Vyshinsky, which took place on 6 March 1945, had already been decided on. Those who, like the author, had to approach Russian officials on Rumanian economic problems received the impression that orders had been given to collect the biggest profits in the shortest time; indeed, their lack of comprehension and of elementary care of the exhausted economy of a little country seemed to point to the fact that they looked neither towards collaboration nor to any long-term economic policy. Their dealings with the oil industry are a typical example. They not only took legally and illegally all the available stocks of crude oil and products (in one year 12 September 1944 to 12 September 1945, 3,025,000 tons were placed legally at the disposal of the U.S.S.R.), refusing to allow any

export to countries from which technical equipment could have been imported, but they carried off large quantities of drill-pipes from companies' reserves and sometimes dismantled working installations. In 1944 the Rumanian oil industry surrendered to Russia as much as 51,000 tons of material, mainly drilling equipment. This was a heavy blow to production. During the war the industry had already been bled white through scarcity of materials, and through the impossibility of bringing in new machinery and equipment, annual imports of which had before the war averaged 30,000 to 40,000 tons for the oil industry. Without new technical equipment no new programme could be started, and through being deprived of its normal reserves the sorely-tried industry became paralysed. Indeed, the figure for 1944 fell by almost 33 per cent to 3,500,000 tons, while drilling operations fell to 144,000 metres. The argument that Russia decided upon this course because of the needs of her own oil-fields does not appear to hold water. When, a year later, Russia undertook to provide the new Soviet-Rumanian company with equipment, part of the stocks taken in 1944 reappeared. Thus, it does seem that orders were given to carry off from Rumania as much as possible as quickly as possible

On 19 January 1945 a commercial agreement for one year was signed between Rumania and the U.S.S.R. This agreement undertook to reserve for Russia all available quantities of oil and petroleum products. Later, a pipe-line from Ploesti to Odessa was installed with the pipes of the former German line from Ploesti to the Iron Gates. As under the armistice treaty the petroleum industry was already committed to contributing over 1,700,000 tons of petroleum products annually for six years as part of Rumania's reparation payments—this calculated in world prices before 1939—the remaining exports were gathered in through the commercial agreement. A Rumanian commercial delegation which was negotiating in Ankara was brusquely recalled through the Soviet Embassy there. It was understood that even the meagre quota for Turkey would be refused. Since then Rumanian trade has been limited to those countries controlled by the Red Army, despite the fact that only outside that sphere could the necessary industrial equipment be found. Rumania's absorption into an exclusive commercial circle with Russia demonstrated its absurdity from the beginning. Although on a far greater scale, Russia's exports consist of the same items as Rumania's, and proportionately they have the same need of Western industrial supplies. In 1947 Russia's production of petroleum was 27 million tons. For 1948 the five-year plan scheduled 31 million tons. In the trade agreements concluded or negotiated with Sweden, Denmark, Finland, Switzerland, and

Egypt deliveries of petroleum products by Russia were promised. The 2,000 to 2,500 million tons eventually available from Rumania were unnecessarily diverted from the European market by Russia. Indeed, as the *New York Herald Tribune* of 24 June 1945 pointed out, 'In the long run, the absorption of Rumania's oil by Russia may turn to the advantage of American and British interests. Rumania's oil is the only substantial reserve of natural oil in Europe, outside Russia, and the European market still remains the greatest oil-market in the world'.

Then came the second phase. After M. Vyshinsky's *coup d'état* of 6 March 1945 by which the last free Rumanian Government was dismissed, a puppet-Communist one was set up. One of its most important tasks was to ensure Rumania's economic absorption by the U.S.S.R. A long-term economic agreement, similar to those signed by the Nazi Government with the same satellite countries, was concluded by the Rumanian plenipotentiaries. It provided, among other things, for the creation of joint Soviet-Rumanian companies for every important branch of Rumanian economic life. First among these was naturally the Soviet-Rumanian oil company. This company was established on 27 October 1946 under the name of Sovrompetrol, with the object of developing Rumanian petroleum resources; it was created by an official decree without consulting the Rumanian companies concerned, and in spite of the refusal of Creditul Minier. The two Governments shared the capital on a fifty-fifty basis. The company took over the so-called 'former German oil assets', in other words, the assets in Rumania which the Germans had taken over in turn from France and Belgium at the time of the German occupation of those countries. The Rumanian Government was then required to contribute the shares and assets of Creditul Minier, the only oil-company created with Rumanian capital. Furthermore, they had to contribute 75 per cent of all crude oil royalties assigned to them by law. The Soviet Government, on the other hand, undertook to provide the company with every kind of technical equipment. When, after some delay, part of the stocks taken during 1944 reappeared, the deliveries ceased. In 1947 Sovrompetrol was authorized to export in order to find technical equipment abroad. Other privileges accorded to the 'joint company' were special exemption from stamp duties and mining taxes and the right to acquire, by agreement with the Rumanian Government, any further mining concessions instead of having to bid in open competition with British- and American-owned companies. But here one comes to another aspect of Communist Rumanian oil policy: the elimination of Western capital.

While Sovrompetrol was granted far-reaching privileges, the

other great companies were deliberately handicapped. Once the former French and Belgian assets had been taken over as German by the Russian Government the foreign capital in Rumanian oil was represented mainly by the British Unirea (Phoenix), Astra Romana (Shell), and Steaua Romana (Royal Dutch Shell Group), and by the American Romano-Americana (Standard Oil). The difficulties encountered by these companies after 1945 were of two kinds. There were the inherent difficulties of any industrial or commercial company in a country falling into financial, economic, or social ruin; and there were, as well, the deliberate difficulties created by Government and Trade Union officials as manoeuvres against unwanted guests. The first category included a combination of fixed prices, forced production, and sale to Russia in fulfilment of the armistice or Peace Treaty, with constantly increasing obligations laid on employers not only as regards wages but also as regards food, clothing, insurance, and various forms of bonuses, to which must also be added the impossibility of carrying on production without new equipment. Workers in the oil industry numbered 23,600 in 1938, while in 1947 the figure had risen to 50,200, though production then was only half that of 1938. There was a tremendous inflationary spiral in Rumania—with the lei valued at 12 million to the pound in August 1947, before the stabilization. For example, the cost of living index of 1939=100 rose to 944 at the end of the war in 1944, and reached 440,869 in 1947. The oil companies were asked to sell their products at prices about eighty-five times those of pre-war, while they had to pay for their expenses prices which had gone up 330 times since the war The fixed prices for oil could not be changed because deliveries made to Russia by Rumania under the armistice were calculated at the 1939 level.

As for production, by a law of 1942—the Rumanian Government's last defence against German exploitation—companies were forced to explore and prospect for new fields and not only to exploit old ones. It was this law that the Communist Government invoked against the companies, demanding that they open new wells and prospect new regions. The only difference was that under German occupation prices were at least remunerative and German heavy industry could actually provide the technical equipment. But, with the 'scissors' of prices as indicated above, and with an equipment insufficient even for the wells already operating, such a claim was fantastic. Some compromise might have been possible by which companies were allowed to reserve some of their exports for markets with better prices and from which industrial equipment could have been obtained. On 20 October 1946 Mr Bevin, speaking at the Paris Peace Con-

ference, said that 'the position now is that instead of earning foreign exchange, part of which can be returned for the purpose of buying necessary equipment, practically none of the oil produced in Rumania brings in any foreign exchange at all'. He felt justified in requiring that the Rumanian Government 'should make foreign exchange available to the extent required for the reconstruction and running of the Rumanian petroleum industry'. Such a solution was denied to the old companies. But a Rumanian Government delegation summoned to Moscow in February 1947 was ordered not only to assure to Sovrompetrol 30 per cent of all future Rumanian production, but also to grant a $4,000,000 compensation to it for loss of past profits due to inadequate oil prices, to be paid in free currency, and also the right to export 140,000 tons of oil products for free currency in 1947.

In the other category of difficulties came those organized by the Communist Government and Trade Unions against the companies. No further oil concessions were given to them, while existing ones were cancelled and given to Sovrompetrol. Wages were constantly increased, but while salaries represented almost 10 per cent of production costs, another 19 per cent had to be added which represented the expenses of 'economat', that is to say, food and clothing for the employees and their families. A new measure enabled the employers to dismiss redundant personnel. This was used by the Communist Committee to 'purge' all senior employees and highly specialized technical staff. The great majority of qualified personnel was not only dismissed but also disappeared, which means in Rumania to be arrested and sent to camps from whence no one has ever yet returned. In a statement of 15 April 1948 in the House of Commons, Mr Gaitskell said that fifteen representations had been made during 1947 about these purges. Meanwhile even British and American personnel were arrested by the secret police and charges trumped up against them. The last British subject in the Rumanian oil industry, Mr Evans of the Steaua Romana, was arrested on 8 June 1948 and condemned on 15 October to three years imprisonment, after the Procurator-General had unsuccessfully attempted to extort from the British Consulate 30 million lei for bail—about four times the amount of the fund which Mr Evans was accused of having maladministered. On 15 December 1947 Astra Romana was given a 'supervisory administrator' with wide powers to sign on behalf of the company, to withdraw from its officers the powers of signature accorded by the Board of Directors, and to 'veto' the decisions of the Board. The other companies shared a similar fate. The last of them was Romano-Americana, whose administrator was appointed on 19 April 1948. By a Note delivered on 6 March 1948 to the Rumanian

Government by the British Minister in Bucharest it was announced that as a result of the activity of the 'supervisory administrator' Astra Romana had been 'forcibly dissolved' by a decision of its British Board. On 11 June the whole industry was taken over by the Rumanian Government.

Since nationalization, some observers discern two sectors in the Rumanian oil industry. The first represents some 40 per cent of the whole production and is 'virtually extra-territorial'. By Article 5 of the law of nationalization there were exempted from expropriation the properties of a State 'which is a member of the United Nations and which has acquired the property as a result of the execution of the Peace Treaty or of the fulfilment of Rumanian Reparations'. By this rather sophistical definition, which can be applied only to Russia, the paradoxical situation is created in which the only capitalist in Rumanian industry is Communist Russia. Only the Russian Government has the right to own private shares, and only the company in which Soviet Russia has private shares is allowed to make profits and distribute them to the shareholders. Sovrompetrol has now the best fields and concessions and the right to export in free currency areas. It is also officially subsidized by the Rumanian Government in the event of loss. Thus it can be seen that Sovrompetrol has the best of the bargain. The second sector belongs in principle to the Rumanian State. Its task will be to prospect for, and explore, new fields as well as to exploit the exhausted wells left by the expropriated companies. Its personnel is untrained. Its trade will be limited to the adverse one with Soviet Russia and the other satellites. Therefore, while both sectors are working for the benefit of Soviet Russia, it is not difficult to guess which has the best chance of successful working, which is doomed to failure. Even were the Rumanian Communist Ministers to be seized by a 'Titoist' form of nationalism (Patrascanu, a former Minister of Justice, was put, in 1948, under arrest for 're-education'), the national industry as constructed at present can never be anything but bankrupt. It is clear that what has taken place in Rumania cannot be described as nationalization. Indeed, if by nationalization one means, as, for instance, does the British Labour Party, the expropriation by the State of private ownership, then the exception made by Article 5 of the law of 11 June 1948 in favour of the largest shareholder in the Rumanian oil companies, namely, the Russian Government, invalidates such a definition. And if, by nationalization, is meant, as in the writings of the German economist List, the exploitation of national wealth by the nation itself, then the description is even more inappropriate.

According to reports from Rumania, on 16 October 1948 the pipe-line from Ploesti to Odessa was blown up in three places. Yet,

although it was repaired, it has been noticed that large quantities of oil are being stored in Rumania itself, instead of being sent to Russia. This can be explained in three ways. The first is that, as Rumanian oil is mainly used by the Russian foreign trade organization for re-export to the other satellites, there is no need for it to make a double journey. The second is that, as new Soviet divisions have recently been brought to Rumania and Hungary, it is easier to supply them with oil products locally. The third assumes that Soviet military circles have decided to use the Rumanian refineries and depots as refuelling bases in the event of war with Western Europe, as did the German Army when it launched its Panzer attack in the opposite direction.

G. I.

NATIONALISM IN IRAQ

INTERNAL DIFFERENCES AND FOREIGN ADVENTURE

TO judge by the little space given recently in the leading British papers to news from Iraq, it would seem that knowledge of developments in that country since the overthrow of the Bevin-Jabr Treaty has been confined to the merest sketch of the main political and Court events. Accordingly, though this article is itself of necessity general in scope, it is intended to add a few touches of shade and colour to the outline picture. It is based on personal contact with Iraqi personalities and movements up to the end of the summer.

It is improbable that any full and final reason can ever be given for the overthrow of the Treaty; but the military clauses served as an excellent pretext for arousing opposition,[1] and a desperate economic and food situation provided a perfect stage for the

[1] Under the Treaty former British air bases in Iraq, though they were to come under Iraqi control, were to continue to be available for British use and maintained in a state of operational efficiency by the R.A.F. until peace treaties with all the ex-enemy Powers had come into force and Allied troops had been withdrawn from all enemy territories. Further, a Joint Defence Board, with equal Iraqi and British representation, was to co-ordinate defence policy, and provision was made for the standardization of Iraqi essential armaments with those of Britain. Should foreign military instructors be required, Iraq was to be obliged to employ British subjects.

B

manoeuvres of the opponents of both Saleh Jabr and of the 'Imperialists', as the Western Powers are invariably called. Yet it is doubtful if the instigators of the popular resistance could have foreseen the lamentable results of their activities. The funerals of the numerous 'martyrs' who fell during riots which led to the death of twenty-two persons in January and injury to over two hundred were made the occasion of sober processions of 'mourners' through the streets of Baghdad; even in these processions anti-Imperialist banners were borne. Then followed a period of serious breakdown of law and order in which the possibility of the complete disintegration of the police force was very real; even the blameless traffic police felt constrained to exhibit an unusual deference to offending taxi-drivers and their like. For nearly two months there were daily demonstrations by school-children, students, or workers, and although no further serious incidents occurred, the authorities were clearly anxious to avoid upsetting the demonstrators by opposing them in any way at all. The general public, however, soon tired of this constant interference with business, while the demonstrators and their promoters themselves seemed to be sobered by their own recent excesses.

The new 'liberty' which the 'national uprising' was supposed to have gained expressed itself also in the multiplication of newspapers. Baghdad alone had over forty licensed papers for a while, with an average sale of some five hundred copies. Each relied for its sales on outdoing its competitors in wild abuse of the 'Imperialists' and their 'stooges', and no single editor dared to raise the voice of moderation or to make the slightest suggestion in defence of the Treaty. Most of these upstart papers soon died a natural death, having no solid backing, and being edited as often as not by men of no literary or journalistic experience. At the time of writing, Baghdad's reading public of 100,000 or so is served by a mere score of 'daily' newspapers; printing and paper restrictions, however, limit many of these to a maximum of two issues per week.

Before reviewing further the developments of feeling in Iraq during the past nine months, it may be well to glance first at the general background of world and domestic influences affecting Iraqi opinion, and secondly at the main political events of direct interest. Of the former, the evolution of the Palestine dispute has of course been of primary and almost exclusive importance, out of all proportion to its real significance in world affairs. It has largely diverted attention from the colossal 'cold' struggle going on outside the Arab world, though the battle for Berlin and the fighting in Greece and China do not pass entirely unnoticed. Concurrently with, and partly as a consequence of, the 'Holy War', attention has been forcibly fixed on the difficult economic situation. Not until

recently did the cost of corn and rice fall from the astronomically high figure of twenty times the pre-war price. Thus it has been increasingly difficult for the man in the street to maintain even a subsistence standard of living. At the same time the state of the national finances was steadily deteriorating. Expenditure was far in excess of income and reserves were already low. The renewed Sterling Balances agreement,[1] though it increased the previous year's availability of sterling and extended Iraq's purchasing area to include Sweden, did not produce any more dollars, nor could it stem the tide. A loan, even were it a mere fraction of the aid given to her more fortunate neighbour, Turkey, would have been welcome, provided it were free of outside controls; for these would almost certainly be rejected out of hand by all sections of 'nationalist' opinion.

Against this larger background must be set the main political events inside Iraq during the period under review. Immediately after the resignation of Saleh Jabr last January the Regent asked the somewhat patriarchal Mohammed es Sadr, President of the Senate, to form what was in effect a caretaker Government, consisting largely of worthy but elderly gentlemen of a religious rather than a political turn of mind. Its policy was non-committal and negative, and its main achievements were the pacification of an excited people and the peaceful imposition of martial law on 14 May. During the spring some two or three thousand more Iraqi volunteers left to fight in the Arab army of liberation in Palestine, and in April the Government announced the voluntary winding up of the British Military Mission, on the ground that the head of the Mission, General Renton, had expressed himself 'fully satisfied with the state of preparedness and training of the army'. Martial law brought a welcome relief from demonstrations and an unaccustomed orderliness to the streets of Baghdad. Coupled with a 'voluntary' subscription of 100,000 dinars from the Jews of Iraq, which was handed to an approved Association called the United Front for the Defence of Palestine and was intended for the Arab armies, it also ensured the security of an anxious Jewish community.

In spite of sanguinary clashes both in Baghdad and in the south during the canvassing stages, the elections of 15 June passed off quietly, but they were followed by allegations in a section of the press that there had been Government interference and that the Censor had abused his power by preventing the free expression of political opinion. The new Government under Mudhahim al Pachachi was more representative than its predecessor in that it included two 'party' men as well as the usual preponderance of

[1] By an exchange of Notes in July 1948 with the U.K. Government.

independent members. It immediately committed itself to a vigorous prosecution of the 'Holy War' and to an uncompromising attitude towards the Zionist claim to an independent State in Palestine.

In July King Abdullah came to Baghdad, immediately after his historic meeting of reconciliation with King Ibn Sa'ud. He was welcomed with almost as great a show of official and public enthusiasm as was the young King Feisal on his return to the capital for his summer holidays. At the end of August the Iraqi and Transjordan armies were placed under a unified command. In the same month the first batch of some five thousand refugees arrived from Palestine and were housed in schools and colleges. Meanwhile the steady deterioration in the fortunes of the Arab armies was reflected in an ever-growing clamour by the parties and their papers for a more determined renewal of the fight. This clamour first took the form of party manifestoes, and reached its climax in early August when the three main parties, National Democratic (Left), Independence (Right), and Liberal (Left Centre) united to stage a peaceful demonstration through the streets of the capital with the party leaders at its head.

Every Arab likes to think that he has formed quite unique and individual opinions on political issues, but in reality he more often echoes, with slight variations, the broad views of the particular category of society to which he belongs. It would in fact be truer to say of Iraq "tot homines quot linguae" than "sententiae". It will be sufficient, therefore, to indicate the attitude of those sections of society whose political influence is of major importance. Orthodox Government opinion, as represented by the Baghdad Radio and the newspaper *Al Akhbar*, reflects a constant fear of extremist opposition and an anxiety to avoid anything but the vaguest commitments. Each successive Government, on taking office, produces a high-sounding plan of social, agricultural, and general development, and pledges itself to the realization of the country's 'full independence'; and each soon learns, but is reluctant to admit publicly, that outside (i.e. Western) aid is indispensable for the execution of any such plan. Few Ministries, however, remain in power long enough to carry out their programme.

The 'Opposition', i.e. the parties and their respective newspapers, vary in their general political orientation, but agree in advocating the most extreme policies, and in posing as the only truly energetic representatives of the people's will. They see the hand of 'the Imperialists' in nearly every Government move, but their opposition is directed rather against Ministers than against the Government's political ideology.

Journalism is usually venal and extremist, and is only consistent

in its anti-'Imperialist' abuse. Editors seem much more anxious to keep on the right side of extremist opinion than of the censor, and courageous independence of judgment hardly exists. Short-sighted censorship and the usual Arab tendency to obscurantism have led them to paint a sadly false picture both of the strength of the Arab forces and of the facts of the military situation, and so to whittle away the chances of any compromise solution.

The highly conservative landowners and tribal chiefs still wield great power in a country so predominantly agricultural, and the influence of the parties does not yet cause them any serious misgivings. Their confidence was strengthened at the last elections by the return to the Chamber of Deputies of a considerable majority of representatives of their own class. They are supported by the mass of religious opinion, which is no less interested in maintaining the *status quo* and which remains the strongest single influence in the land.

Student opinion is nearly always of the most extreme, and is based largely on emotion; easily aroused and usually ill-informed, it is of ever-growing importance and is not neglected by the agents of Communism. It is debatable whether the students are more embarrassing to the Government when congregated in Baghdad's colleges or when dispersed to their homes. Many Iraqis deplored the closing of the colleges after the riots, as they feared the presence of so many potential trouble-makers in the provincial centres; for while any 'Imperialist' influence or interest remains in the country, there will always be an excuse for agitation by these young enthusiasts.

There has been complete unanimity of feeling amongst all these groups over Palestine—a deep resentment against the 'Zionist aggression', and bitter disillusionment at the attitude of the Great Powers. The Jewish occupation of Haifa, and the British withdrawal from it before the expected date, were regarded as examples of the 'perfidy of Albion'. However, the refusal of his Majesty's Government to recognize the Provisional Government of Israel, the British attitude at Lake Success, the continuance of the subsidy to Transjordan, and the presence of British officers in the successful Arab Legion in the first days of the war combined to prevent this disillusionment from turning into plain hostility. Yet even before fighting was resumed it was widely believed that Britain had exerted pressure on the Arabs to accept the truce 'in order to rob them of victory'.

The unpopularity of the United States resulting from their recognition of Israel and other apparent indications of American sympathy with the Jews was to some extent offset by an appreciation of the great wealth and power of the U.S. Russia also lost

much of her following owing to her contempt for Arab feeling; but in spite of the Soviet declarations of policy, there was an undeniable tendency on the part of much of the press to overlook her shortcomings and to magnify those of the Western Powers. Even some who had never before evinced any 'leftist' tendencies were heard to declare, when it became clear that 'nothing could be achieved in U.N.O.', that the Arabs 'should cease to trust the Western Powers and look elsewhere for support'. Moreover the view is widely held that Britain 'orders' the Dominions (e.g. South Africa) to support the Jews, while she herself remains neutral.

In the circumstances it is not surprising that a few rather unrealistic optimists should claim that Iraq can stand entirely alone, or that there should be a growing demand that the country should immediately declare its intention of remaining neutral in any future world conflict. But the Arabs know full well that Communism is the only alternative to 'the devil they know'. Its meaning is imperfectly understood, but it has a wide appeal among the discontented 'effendi' class to whom it conjures up wild dreams of land, good houses, a good life, and even cars for all. Many of these small officials assume that they would be the governors in any Communist State, and have a pathetic belief that government by men like themselves would in some magical way immediately put an end to poverty, hunger, corruption, and high prices. There is, in effect, more discontent than Communism in Iraq. Kurdish students toy with it in the hope that the Kurds might thus be free of Baghdad rule, and it is here that left-wing activity is most noticeable. The Government, however, seems to be confident of its ability to maintain internal security in Kurdistan as elsewhere.

While left-wing activity is growing, opposition to it is hardening in Government circles and among the landowning, religious, army, and official classes. Two 'Communist' newspapers were suppressed with the imposition of censorship, and in March many 'Communists' were taken into protective custody. Conservative elements fear a Zionist State as being not only a base for further Jewish expansion but a breeding ground and bridge-head of Communism. The Istiqlal Party openly claims to be the only obstacle to Marxist infiltration, and on one occasion in March its supporters came to blows with those of the left when their two rival processions met.

Meanwhile the old Anglo-Iraqi Treaty remains in force; Iraq sends her army officers and many students to Britain—she would send more if the Universities could take them—; she seeks 'experts' from Britain, often without success. In full consciousness of the crippling reduction it will cause to her income, she has consistently refused to allow the pumping of crude oil to Haifa since the end of the Mandate. The Government is committed to a pur-

suance of the war, and all its declarations and actions increase the difficulty of eventually extricating the army and of arriving at an agreement. Attempts have been made to find scapegoats to divert attention from the continued lack of military success, and a wealthy Basra Jew was recently hanged in public on a charge of supplying arms to the Zionists. Popular enthusiasm for the war has been confined to agitation, applause for the regular army detachments of 'holy warriors' leaving for the front, and the virtually compulsory purchase of 'Palestine stamps' with every postage stamp or official form. In August Iraq presented far less the appearance of a country at war than did Syria, or even Lebanon. There was no black-out, no evidence of personal sacrifice, and the commandeering of a few civilian lorries had not had any visible effect on commerce, and could of course be avoided. The refugees were rather reluctantly accepted as an unwelcome burden. King Abdullah's counsel of moderation to Baghdad's journalists was not heeded, and the press still demanded a purely Arab solution to the problem as being the only conceivable one; but although all existing plans and organizations were discredited, none of the critics had any workable positive proposal to put forward instead. Even the Arab League was accused of being a tool in the hands of the 'imperialists'. Politics remain largely a matter of personal rivalries and manoeuvres.

The Government has so far managed to 'keep face' in an atmosphere of uneasy tension. Most of the statesmen of the Portsmouth Treaty are back in Iraq;[1] the popular clamour for the punishment of those responsible for the shooting in January has died down, and, except for a few transfers, the officials concerned remain unmolested. Some of the members of Saleh Jabr's Cabinet are already re-entering active politics. It now seems as if the recent order by the Security Council to the Arabs and Jews to conclude an armistice and work out an agreement will compel the Government very soon to reveal the true facts to the nation and withdraw the army. When this happens, the reactions, even if the army has suffered no major defeat, are likely to be noisy. The Parties, particularly the Independence (Istiqlal) Party, will seek to make capital out of the failure of past Governments, and to clamber to power on the shoulders of 'popular' dissatisfaction. This party may hope for support from the army, which will be angry and disillusioned. Editors will have a hundred and one scapegoats on which to vent their spleen, with all the great Powers and the United Nations added to the inevitable Britain; but it would be rash indeed to attempt to foretell the course of events. The chances of Iraq's signing any direct agreement between Arabs and Jews seems most remote, since no Iraqi statesman can ever feel that he has the

[1] Saleh Jabr himself went to Egypt, but returned to Iraq some time ago.

unqualified support of his people unless he advocates a solution so uncompromisingly Arab as to be quite unacceptable to the Jews. It is, in fact, impossible for any Iraqi negotiator to forget the fate of the 'men of Portsmouth'.

A.N.O.

LAND REFORM IN HUNGARY

THE agrarian reform decreed in Hungary in March 1945 had to all intents and purposes been carried out by the end of 1947; 1948, therefore, has been devoted to weighing its results and debating a land policy for the future.

The realization of the land decree of 1945 means that under 30 per cent of Hungary's agricultural land is now farmed in 90,000 holdings ranging between 20 and 200 yokes.[1] But the major part of the country, about 65 per cent of its agricultural area, is farmed in rather less than two million holdings of less than 20 yokes.[2] The number of strips of which the holdings consist is of course many times two million. The holdings in this category can be further sub-divided as follows:

Under one third of a yoke	about 175,000
Between a third and one yoke	,, 330,000
,, one and two yokes	,, 420,000
,, two and five ,,	,, 500,000
,, five and ten ,,	,, 390,000
,, ten and twenty ,,	,, 175,000

Altogether about 640,000 families received allocations of land under the land reform decree, while well over 20,000 in the same landless circumstances were left unrewarded in order not to chop the country up into even smaller farms.

The biggest change has occurred in the lives of the hundred thousand families formerly employed on yearly contracts as farm hands on the great manorial estates. Living outside the community of the village, theirs had been the lowest social status in the rural hierarchy. Even casual labourers with no land of their own, or with the merest patch of land, had counted for more than the

[1] The 'yoke' or cadastral acre measures 0.57 of a hectare or 1.37 English acres.
[2] The 7 per cent (roughly) of land left unaccounted for consists almost entirely of State forests and pastures.

manorial farm hands, who were paid in produce, lived in miserable barracks in the manorial courtyard, and worked under the supervision of bailiffs for practically unlimited hours. Their lives had made them apathetic and servile, especially on the great estates west of the Danube. A typical manorial estate in the west, Taródháza puszta in county Vas, showed every sign of human reconditioning by last summer. The estate had been divided among the thirty farm-hands' families who were formerly employed there; they had received an average of 10 yokes of land each. Except for the fact that they still lived in the manorial courtyard buildings, they were now independent farmers and proud of their newly-bought draft animals and of the quality of their crops. All the children had shoes and best clothes for Sunday. One old couple had been able within the last three years to buy eleven pairs of shoes for their children and grandchildren, a reliable yardstick of rural wealth and a condition never before experienced or envisaged by them. At the beginning of June, with only three weeks to go to the harvest, and after the 1947 drought, nearly all the thirty families were still baking rye bread, a luxury by comparison with the maize bread they had usually eaten for a considerable part of the year.

The former lady of the manor now lives in one half of the manor house and, with a minimum of help given in exchange for produce, cultivates a fair-sized patch of land in the park; she was growing maize last summer and fattening a pig. In the other half of the house a school had been opened for the children of the thirty families who previously had had to walk four kilometres to school. In this place there was no trace of self-consciousness in the relations between old owners and new. The credit for this unusual harmony was largely due to a Catholic priest of a nearby village who consecrated the new school by celebrating a field Mass, attended by the whole neighbourhood, in the park. He invoked Saint Anthony to guide the spirit of these children and make them fighters against Hungary's poverty. In consecrating a State school he was bidding defiance to Cardinal Mindszenty. The fact that the Prince-Primate condemned the agrarian reform at the outset, and that at least one out of every five new holders is farming land formerly in possession of the Church, otherwise creates a feeling of malaise in the Catholic west. This is intensified by fear of the *kolkhoz*, which is described by rumour as a prison where people feed like cattle out of communal troughs.

Even in the west of Hungary the new conditions of land tenure are not generally as favourable as those at Taródháza. The average national holding has worked out at between 5 and 6 yokes. Former estate servants and farm hands received more because they were on

the spot and sometimes simply squatted, but also because the manorial courtyards were impracticably far from the villages. It was a matter of policy, too, to encourage the most depressed social group.

Conditions in Western Hungary, which the Magyars call Transdanubia, are, however, altogether easier than in the Great Plain between Danube and Tisza or in the country east of the Tisza where the strongholds of Calvinism are found. Transdanubia is richer because it is moister, and at the end of the war it was much less depleted of livestock. Thus the new holder there has been able to launch out fairly well. With 8 to 10 yokes and then the acquisition of a couple of draft animals—usually an all-purposes cow and a horse—he is, indeed, in danger of too great confidence. When one talks with these people it is surprising to find that in spite of all the rumours of the coming collectivization or war or counter-revolution, they are often childishly optimistic, and oblivious, for instance, of the fact that the post-war years of dearth, which all food-producers were able to exploit, are over. The chaotic and paradoxical confusion of a pious or a superstitious malaise with an immature optimism is characteristic, perhaps, of the instability of conditions after a social revolution so long overdue

The crown of the new farmer's achievement is a new house and stable yard, mostly built by himself. Since houses in Transdanubia are traditionally built of stone and brick, not of loam-mulch as in the centre and the east, building proceeds more slowly in the west. Thus the depressing and over-crowded rooms and communal kitchens of the manorial courtyards are not yet evacuated, even, as we have seen, at Taródháza. The pulling down of manorial stables and farmyard buildings is going ahead, however, and makes bricks available for the new homesteads. East of the Danube the bricks secured from demolition are sufficient for the foundations of a quantity of new houses. (Here they still follow the *tanya* tradition of the isolated farmstead, the owners having a *pied-à-terre* in the nearest of the few but big villages which are really small country towns). On the brick foundations loam walls then go up; the roofs one sees here are made of tiles, mostly new. For the far bigger category of former agricultural labourers and dwarfholders land reform was a less tremendous change, but for them, too, the building of their own homesteads on their land is of central importance. Today one finds every variety among the new houses. In the Cegléd area in the Great Plain the *genre* is dictated by politics. The new farmers who support the Smallholders' Party build small houses as far from the road as possible and turning their backs to it. The Communist peasants build bigger houses near the

oad, oddly enough the least stereotyped and most various. The Jational Peasant Party men, with their folklore mystique, build raditionally. In the course of the land reform 300,000 landless amilies received building plots along with their land allocations; hese building plots covered an area of 120,000 yokes.

Inevitably a number of the recipients of land under the reform vere unable to make good, owing either to lack of draft animals or mplements, or else to absence of initiative. Some rented out their and to well-to-do peasants and returned to swell the ranks of those vho had received no allocation. Most of the latter were, in fact, hose who had failed to put in their claim, usually the most gnorant and helpless. With the passing of the great estates casual nd seasonal agricultural workers were thrown back on the mployment they could get on the richer peasants' farms. The atter did not waste the opportunity. For instance, they let off beet-ields, after the sowing, for a third of the produce in return for ultivation and the gathering of the crop (anyway very trying vork), provided the labourer was willing to work without pay for day a week during harvest time. This sort of thing was in flagrant ontradiction of the rules guaranteed by the new agricultural abourers' trade union or *Fékosz*, and also of a decree of last spring overning their wages and conditions of work. Membership of the *Fékosz* is up to 194,000. Here again one finds oneself face to face vith another of the typical anomalies in the instability of Hun-garian life today. Only last September a Communist official in harge of a State farm in Central Hungary was grumbling to a riend about the trouble he had with his unruly *Fékosz* people. On he other hand many labourers working for the richer peasants are carcely aware that the *Fékosz* exists, or are traditionally afraid to ave anything to do with it.

Thus the completion of the land law of 1945 had by the end of 947 brought about a commendable reduction of the virtually andless population, which until 1945 had embraced about a third of the nation; it had concentrated the old problem within relatively narrow limits. The problem of agrarian over-population, that is to ay, was immensely reduced in scale, but it had not been solved. At this point Veres, the veteran leader of the National Peasant Party, who had been in the Government ever since the country's iberation and was Minister of War at the time, wrote and pub-ished a book called 'The Future of the Peasantry', or, more iterally, 'The Peasant Future of the Country.'[1] The book was vritten during the first three months of 1948 and was on sale in May. It created a sensation and focused Hungarian attention on he question of the peasantry a month or so before the rest of

[1] In Hungarian *Paraszti Jövendő*.

Europe was startled by the rift between Moscow and Belgrade which arose, ostensibly, at any rate, over much the same issue.

Veres illustrated the persistence of agrarian under-employment—which is complementary to agrarian over-population—by claiming that, even after the completion of the 1945 reform, the dwarfholder with less than 5 yokes is only adequately employed for 100 to 150 days in the year and the small farmer with 5 to 10 yokes for 150 to 200 days; only farmers with more than 15 yokes have a good 300 days' work in the year. What was Veres' remedy? He is a peasant mystic. A traditional peasantry to him is an eternal entity of ethical importance. It must not be contaminated by industrialization or State aid. Its freedom is more important than its standard of life. Somehow the peasant will make good. Veres knows that the reform which has given so many the independence he desired has necessarily created too many small holdings to be beneficial to production. He fell back upon nothing but a whimsical hope for Hungary. For he claimed to be convinced that the Mohammedan world was bound soon to abandon its 'prejudice' and begin to consume pork; then, he said, the Hungarian pig, fattened for lard, would rule the Middle East.

It had always been anticipated that the new small farms would prove to be more uneconomic units than the big estates. It has been seen that strip farming, in addition to its inefficiency, has also brought instability. The new farmers have less sense of the market than former estate bailiffs or experienced medium farmers. If a crop succeeds one year they over-produce it in the next, so that there are frequent local gluts in, say, cabbages or tomatoes. Though Veres discounts it, the other political leaders, including Erdei (a founder with Veres of the National Peasant Party), have all along found the answer to the weakness of the new small farmer in the development of agricultural co-operation. Already in 1945 it was decreed that agricultural co-operatives should be set up wherever more than 300 yokes were distributed. By 1947 800 such co-operatives were actually working to rent out machinery, test seeds, and run agricultural industries producing wine or sugar; and essentially they functioned as buying and selling organizations. Here and there producers' co-operatives were set up in various forms: some of them flourished and some failed. The best known is at Sarkad, near the Roumanian frontier in the south-east. It comprises eighty-three families with the proud record of having achieved, both in 1947 and 1948, double the individual local farmer's yield in wheat and in nearly every other crop; this was due to deep ploughing in large stretches and to scientific manuring. Produce is shared out according to the size of the individual's holding as well as the scale of his output.

To develop agricultural co-operation was only part of the programme of the Communist leaders (supported by Erdei), as also of the most reputable economists, a programme which had found its preliminary expression in the Three-Year Plan which was launched in Hungary on 1 August 1947, and which is to be followed by a Five-Year Plan in 1950. These plans prepare for the absorption of the surplus agrarian population into industry through the scientific industrialization of the country. They also prepare for a transformation of Hungarian agriculture to suit the potentialities of small farms. Wheat, the export of which was subsidized and difficult even in pre-war days, is in future to be produced for home consumption only; instead the peasants are being encouraged to concentrate their efforts upon the intensive cultivation of fruit, vegetables, sugar-beet, and sunflower seeds, as well as upon their pigs and their poultry. Mechanization has been braked by the other claims on industry, but this had the advantage of not reducing agrarian employment too suddenly. The importance of irrigation was painfully emphasized by the drought of 1947, and where the Three-Year Plan originally allowed for the investing of 28 million forints in irrigation, in the first year nearly 65 millions were spent and an additional 13,000 yokes of land were irrigated, with a proportionate increase in the production of rice.

Even so, agricultural production as a whole is uneconomic in the Hungary of 1948, and the Government has had to subsidize some of its revised food exports, although this year's bumper crops have eased things all round for the moment. While the dwarfholder is eating much better than he did in his pre-reform existence, the contrast between his life and that of the rich peasant is still striking. For these reasons, even before the challenge of Veres' book, Erdei—for instance in April—declared that in the interests of production agricultural co-operation must be developed very much further. The campaign he thereby launched involved at the same time a battle with the richer peasants, who, it has been seen, had been buying up or renting many small plots of land, and who showed unwillingness to co-operate in changing the crops they grew or in other ways. There had been a good deal of sympathy on the part of Ministry of Agriculture personnel with the individualism of the better-off peasants, and no records had been kept of the buying or renting of land since 1945; this was one reason why a 'purge' in the Ministry was ordered. It was found, when the matter was taken up, that there were farmers who held as tenants as much as 600 yokes scattered over several counties. In August it was decided to compile a register, a kind of Domesday Book, of all leases, and the right to buy land was severely curtailed in favour of the poorer peasants.

In July Rákosi, the most prominent Communist and as such the most powerful man in Hungary, made a public statement to the effect that to continue to raise the standard of living of the country would require a change in agricultural organization within the next year or so. By September the tide was flowing more strongly after the quarrel with Tito, and Veres resigned from the Government. His theories were condemned, especially by Erdei (who had often disagreed with him before) on the grounds that they divorced the interests of the peasants from those of the industrial workers. A new Ministry to control and develop the co-operatives was projected, with Erdei in charge. All hostile voices declared that this was nothing but a drive towards Russian collectivization—the dreaded *kolkhoz*—and many of the peasants, small as well as rich, were panic-stricken, particularly in Transdanubia. There were rumours, of course, of a tremendous increase in the number of State farms. Erdei himself did not mince matters: he spoke freely of the necessity to make Hungarian farming more collective. *Szabad Szo*, the newspaper of the National Peasant Party of which Erdei was now head, deplored the sense of guilt which the poorer peasants still seemed to have,[1] but insisted that the rural population would perish if it could not learn to develop along new lines.[2] But there was no evidence of more than a hundred State farms, together covering 71,000 yokes of land. Most of these were breeding-establishments which had existed for many years; since the Three-Year Plan they have been extended, especially the poultry-breeding farms in which 9 million forints were invested during the first year of the plan. From Rákosi's address to the Central Committee of the Hungarian Workers' (or Communist) Party on 27 November one receives an impression of Government caution in agrarian policy, whether for practical or political reasons. Increasing support, according to the Communist leader, is to be given to the existing co-operatives, which are, he insisted, to remain voluntary associations; pressure, in other words, is not to be more than indirect. The Ministry of Agriculture is to consider which among the existing co-operative types is preferable. It is thought that the Sarkad model is likely to be chosen for Hungary: this is definitely a co-operative organization and not a collective farm organization. No Russian interference in recent agrarian policy decisions in Hungary has been apparent.

I. P.
E. W.

[1] *Szabad Szo*, 19 September 1948.
[2] *ibid*, 7 September 1948.

THE INDIAN DOMINION AND THE STATES

A REVIEW of the processes by which the States of Princely India have acceded to the Indian Union reveals a remarkable change in the political face of the sub-continent within a very short space of time. In less than a year after independence, 241 of the States were *merged* into adjoining provinces, 294 were *integrated* into six great unions, ten remained self-contained, while eleven—including Kashmir, Hyderabad, and Junagadh—have remained apart from any merger or integration scheme. Thus the number of Statal units now to be considered by the Government of India has been reduced from 565 to 27, of which nine will shortly be affiliated to Unions or Provinces or merged into direct administration by the Central Government. In each of these units, whether mergers, unions, or individual States, the traditional system of administration has given place to a new political organization approximating to the kind which exists within a Province of the Indian Union. The tendency is for the India of the Princely States to become assimilated entirely in its political set-up to the political institutions of the India of the Provinces, so that in the foreseeable future the States and the Provinces will be politically indistinguishable. Finally, the new Statal units have signed agreements recognizing that List 1 and List 3 of the Seventh Schedule of the Government of India Act of 1935 apply to them completely except for the fiscal items.

Before independence was achieved the Government of India regarded the problem of the future of the States as one of great urgency, only mitigated by the fact that a large number of them had already agreed to send their representatives to the Constituent Assembly. The first step taken by the Government to fill the vacancy which was to result from the lapse of paramountcy was the creation on 25 June 1947 by the Cabinet of the Interim Government of a new body, the States Department, to deal with matters arising between the Central Government and the States after the winding up of the Political Department. Twin States Departments, as they became when work was begun on establishing new relations with the various groups of States, were set up on 5 July 1947, and in a White Paper[1] issued by the Government of India in July 1948 the vital importance of the task its own State Departments had to undertake was emphasized in the following passages:

'The Indian Independence Act released the States from all their

[1] Printed by the Government Press in New Delhi.

obligations to the Crown, and it was evident that if in consequence the States became separate independent entities there would be a serious administrative vacuum not only with regard to the political relationship between the Central Government and the States, but also in respect of the co-ordination of all-India policies in the economic and other fields. All that the Dominion Government inherited from the Paramount Power was the proviso to Section 7 of the Independence Act which provided for the continuance, until denounced by either of the parties, of agreements between the States and the Central and Provincial Governments in regard to specified matters, such as Customs, Posts and Telegraph, etc.'

Another passage read: 'The unity of what was to be left as India after the partition was so vital a necessity not only for the political strength, full economic development, and cultural expression of the Indian people, but also for facing the aftermath of the partition, that the Government of India could not view with equanimity any trifling with it. The situation was indeed fraught with the gravest danger, for, as Professor R. Coupland has put it, "India could live if its Muslim limbs in the north-west and north-east were amputated, but could not live without its heart." The first task to which the new Indian State Department had to address itself, therefore, was the conserving of the heart of India. This required a common centre for the whole country, including the Indian States, able to function effectively in the Provinces and States alike in matters requiring all-India action.'

A statement of Sardar Vallabhbhai Patel, the head of the States Department for the Indian Union, issued on 5 July 1947, set out very clearly the attitude of the Government of India towards the States. The demand had been made, he said, that the States should regain their independence. 'In so far as paramountcy embodies the submission of States to foreign will', he went on, 'I have every sympathy with this demand, but I do not think it can be their desire to utilize this freedom from domination in a manner which is injurious to the common interests of India or which militates against the ultimate paramountcy of popular interests and welfare or which might result in the abandonment of that mutually useful relationship that has developed between British India and Indian States during the last century. Indian States have already come into the Constituent Assembly. To those who have not done so I appeal that they should join now. The States have already accepted the basic principle that for defence, foreign affairs, and communications they would come into the Indian Union. We ask no more of them than accession on these three subjects in which the common interests of the country are involved. In other matters we would scrupulously respect their autonomous existence.' These

last two sentences should be noted, in view of the developments described later in this article.

The task of negotiation was entrusted to Lord Mountbatten, who called a meeting on 25 July 1947 of the Rulers, Diwans, and other States' representatives. He reviewed the position in a long statement in which he began by pointing out that the States were now independent technically and legally, but that there had grown up during the period of British administration 'a system of co-ordinated administration on all matters of common concern, which meant that the sub-continent of India acted as an economic entity. That link is now to be broken. If nothing can be put in its place, only chaos can result, and that chaos, I submit, will hurt the States first—the bigger the State the less the hurt and the longer it will take to feel it—but even the biggest of the States will feel itself hurt just the same as any small State.'

He then explained that the States Departments had been created as the machinery through which to put the two future Governments of India and Pakistan into direct touch with the States. These Departments would by stages take over those subjects which had nothing to do with paramountcy but which would be concerned with relations with neighbouring States and also provide the machinery to negotiate in such matters.

Then, referring to the right of the States to link up with whichever Dominion they chose, he reminded his hearers that there were certain geographical compulsions which could not be evaded. Out of some 565 States the vast majority were irretrievably linked geographically with India. In the case of Pakistan Mr Jinnah was prepared to negotiate the case of each State separately, but in the case of India, where the overwhelming majority of the States were involved, separate negotiations with each State were clearly out of the question.

Under the Cabinet Mission's Plan of 16 May 1946 the States were to surrender to the Central Government Defence, External Affairs, and Communications, and the Rulers accepted this as reasonable, fair, and just. As to defence, if they did not link up with one or other of the Dominions they would be cut off from any supply of modern arms. The subject of External Affairs was something which was outside the boundaries of India in which not even the greatest State could operate effectively, and with which the States had not dealt since the formation of the East India Company. It could only be managed by those who managed the defence of the whole country, and 'I submit', Lord Mountbatten added, 'that if you take it up it will be a liability and not an asset.'

Finally, as to communications—one of the chief means of main-

taining the life-blood of the whole sub-continent—the continuity of the existing system was already provided for to a certain extent in the Indian Independence Act, and was to be discussed as item two of the agenda of the meeting. He was therefore at a loss to understand why some Rulers were reluctant to accept the position. Possibly they were apprehensive that the central Government would try to impose a financial liability on the States, or encroach in other ways on their sovereignty. If so, he could say that the draft Instrument of Accession which had been circulated for discussion provided that the States should accede to the appropriate Dominion on the three subjects only, and without any financial liability, and contained an explicit provision that in no other matters had the central Government any authority to encroach as to internal autonomy or sovereignty of the States.

He concluded by reminding the Rulers that if they were prepared to come in they must do so before 15 August, the day of the transfer of power.

The result of this forceful statement by the Crown Representative was that within a week all the States within the geographical limits of India had acceded to the Union except Hyderabad, Kashmir, and Junagadh. Thus what may be called Stage 1 was completed by the beginning of August 1947. The White Paper of July 1948 said of this remarkable achievement that the constitutional link thus forged between the States and the Indian Government 'proved strong enough to bear the stress of the upheaval through which the country has had to pass and enabled the Government of India and the Governments of the States and the Provinces concerned to take concerted and co-ordinated action in relation to matters of common concern'.

The Government then proceeded to Stage 2, which was to form the States into manageable groups and simultaneously to introduce constitutional changes substituting responsible government for other systems of rule. The States fell into two broad groups: a small group individually recognized as forming viable units; and the overwhelming majority which were not. A list of the former had been drawn up in consultation with the States, under the aegis of the Cabinet Mission, and they numbered nineteen: Baroda, Gwalior, Hyderabad, Jammu and Kashmir, Mysore, Bhopal, Indore, Kolhapur, Travancore, Udaipur, Bikaner, Cochin, Jaipur, Jodhpur, Kotah, Patiala, Rewa, Alwar, and Mayurbhanj. In the case of these the first action taken was to press the Rulers to guarantee the introduction of responsible government, and this involved, first, a formal Declaration by the Ruler; secondly, the adoption of an interim Constitution in association with the State Praja Mandals; and thirdly, the creation of a Constituent Assembly

to frame a Constitution providing an Executive responsible to the Legislature.

The ideas imported by the Government of India into these new Constitutions were those of the Government of India Act of 1935. Some experimentation might have been expected, but it is significant of the firm grip which the concept of responsible government —British style—has acquired over the minds of thinking Indians that no exceptions to the rule of the British Cabinet system have been permitted. In the light of history the universal acceptance of this system by Indian statesmen may prove to be one of the most significant contributions of England to the political development of India.

Next came the great problem of the States not large enough to stand alone. The aim here was to procure the cession of powers by small to larger units, and this was done in two ways: first, by transferring power to the Dominion Government, which either made over power, in its turn, to a Provincial Government, or, in exceptional cases (Simla Hill States and Kutch) retained the power for itself; and second, by transferring power to a group of which the States concerned formed an integral part, to create a new unit large enough to rank as a Province of the Union.

The first process was first applied to the thirty-nine Orissa and Chatisgarh States, which were made over to Orissa and the Central Provinces respectively in January 1948. Next, seventeen Deccan States were merged into Bombay, and 157 Gujerat States as well, but these retained some of the features of the Union, which at the last moment they had decided not to form. The Council of Rulers, for instance, was left with authority to consider questions of disputed succession.

The second process involved the integration of States into larger unions, each capable of ranking as a Province of the Dominion. For this, the formation of the United States of Kathiawar provides a model, found so successful that it was adopted, with modifications, in five other cases. Writing of this in the White Paper the Indian Government states:

'This form of consolidation of small States was first adopted in regard to the Kathiawar States, comprising 217 States and estates . . . with varying territories and jurisdictions. Many of these States had several scattered islands of territories, and added together these States divided the map of Kathiawar into about 860 different areas. The scheme for union . . . integrated all the Kathiawar States in a new State to be administered as a single block of territory, with a Ministry responsible to a popular Legislature. A special feature was the provision of the Raj Pramukh, who would be the constitutional head of the States, elected by the Council of Rulers.

'An interim popular Ministry was set up in this region, also a Constitution for the new State within the framework of the Covenant and the Constitution of India. Junagadh alone is at present administered by the Central Government, but it is intended to integrate it into the United States of Saurashtra after ascertaining the wishes of the people. Saurashtra is a new Kathiawar State, for which the scheme for a Constitution was put into effect by the signature of a Covenant on 23 January 1948, and the State itself came into being on 15 February. It covers an area of 31,885 square miles, with a population of some 3½ million and a revenue of 8 crores'.

The Covenant provides for a Council of Rulers, with a smaller Praesidium whose duty it is to elect the Raj Pramukh and to settle questions of succession. This official receives emoluments equal to those of the Governor of Bombay and holds office for five years. All executive authority is vested legally in his person as constitutional head of the Union, but he exercises no judicial functions. There is also a Cabinet, a Council of Ministers, which is the real Government. An important exception to its powers is, however, made in Article 7, which states that the military forces of the United State of Kathiawar, and the authority to raise and maintain the forces of that State, will be vested exclusively in the Raj Pramukh, 'subject to any directions or instructions that may from time to time be given by the Government of India'.

Finally, a Constituent Assembly is to frame a Constitution, within the framework of the Covenant and the Constitution of India, providing for a Government responsible to the Legislature. Until this comes into effect the Legislative authority vests in the Raj Pramukh. The Constituent Assembly is to consist of forty-five elected Members on the basis of one for each 100,000 of the population. The United State is to be divided into territorial constituencies, and the total number of seats distributed among them by assigning to each one or two as may be convenient. As far as possible the constituencies shall be so delimited as not to cut across the boundaries of any compact part of a Covenanting State.

A special provision is made for joint action between the United State and the Province of Bombay. This is to the effect that the Government of Kathiawar shall, in consultation with that of Bombay, take all steps necessary to set up a Joint Advisory Council of Ministers of both Governments for investigating and discussing subjects of common concern and making recommendations, especially for the better consideration of policy and action with respect to any such subject.

The administration of each State had to be made over to the Raj Pramukh by its Ruler not later than 15 April 1948.

The Kathiawar model was followed in the formation in March 1948 of the Union of Matsya, i.e. Alwar, Bharatpur, Dholpur, and Karauli, and the United State of Vindhya Pradesh was established in April, made up of thirty-five Bandelkhand and Bagelkhand States. The Kathiawar model had, however, to be modified somewhat to meet the case of Rewa, without whose accession the Union would not have been viable. The Ruler of Rewa was willing to join it if certain concessions were made to ensure for his State a place commensurate with its importance. It is therefore provided that while the other 18 Members of the Council of Rulers will have one vote each for the purposes of election of the President and Vice-President, the Ruler of Rewa will have fifteen.

In April 1948 the United State of Rajasthan was also created. The original idea was to form nine small Rajput States into a separate Union, but the Ruler of Udaipur afterwards indicated his readiness to join provided that he and his State ensured their legitimate position in the Union. It was accordingly arranged that the Maharana would be Raj Pramukh during his lifetime.

The Covenant of Rajasthan contains one Article of special importance. This is Article 8, which lays down that the Raj Pramukh shall, not later than 1 June 1948, execute on behalf of the United State an instrument of accession in accordance with Section 6 of the India Act of 1935 and in place of the Instruments of Accession of the several covenanting States.

This was the first indication that the policy outlined by Lord Mountbatten was found to be insufficient for the Government of India's needs. The Article provides for two stages of accession: the first, an individual accession to the Indian Union and a transfer of authority over the three matters of Defence, Foreign Relations, and Communications to the Union; and second—a fresh development—an accession by the United State as a body, giving the Government of India power to intervene in matters other than those three.

In May last twenty Malwa States, which included Gwalior and Indore, formed the largest United State, under the title of Madhya-Bharat, with a Covenant which contained a mandatory Article (No. 8) providing for a second stage of accession, as in the case of Rajasthan. By this the Raj Pramukh was required to execute, not later than 15 June 1948, an Instrument of Accession in accordance with Section 6 of the India Act of 1935 and in place of the Instruments of Accession of the several covenanting States. Other interesting points in this Covenant were the provisions made to secure the special positions of Gwalior and Indore and a further extension of the functions of the Raj Pramukh. We have noticed in other Covenants the tendency of the Government of India to use the Raj Pramukh as its own representative, free from

all local control by the popular ministries, in relation to the local defence forces. In the Madhya-Bharat union, the Raj Pramukh is given a further direct responsibility to the Government of India—not to the union legislature—for looking after the Bhils of Central India. Plainly, the Government of India has realized that for certain purposes it must control the Raj Pramukhs directly, regardless of the function of the popular ministries.

The Union of eight States to form the Patiala and East Punjab States Union was completed in July; once again, special provision was made for Patiala, a State with a population of some two million, which had itself been recognized as a viable unit. The other States comprised an area of 3,693 square miles, with a population of 1,367,628 and a revenue of about two crores. It was, however, realized that no Union of these States without Patiala could endure. Apart from their limited resources, the territories were separated by intervening portions of the East Punjab and the Patiala State and in certain cases these form islands separated from the main block of the States. 'From the point of view of territorial integrity, administrative efficiency, and the tapping of agricultural and other resources of these States the formation of one Union inclusive of Patiala was clearly indicated. The Ruler of Patiala expressed willingness to join the Union provided the Patiala State and its Ruler were given a position in the Union commensurate with their relative importance.'[1]

It seems clear from all this that the Government of India has always found it worth while to depart from strict logic in order to get the larger States freely and willingly into a Union while, at the same time, extending control over the new units. Article 7 of the Covenant for Patiala and the East Punjab States is in the same sense as the mandatory Articles noted above.

The position, therefore, now is that the Government of India has secured Instruments of Accession and standstill agreements from every State except three—Hyderabad, Kashmir, and Junagadh—and has brought them under the Union for Defence, Foreign Relations, and Communications. Some of them have been merged into Provinces, others united into six large Unions, and others again have been left alone; though probably only for the moment. Throughout the whole of States' territory interim administrations with popular Ministers exercise effective power as a preliminary to the introduction of complete responsible government of the Cabinet type.

Reference must now be made to a development which has largely passed unnoticed outside India but is full of significance as indicating the dynamic character of the policy of the Government. The

[1] Vide Article 97 of the Covenant.

original plan of the Cabinet Mission and the statements of Lord Mountbatten and Sardar Patel included the promise that the States should only cede to the Indian Union powers over the three subjects mentioned above. In the last three Unions, however, a new plan became apparent: first, the Raj Pramukh is to conclude a new Instrument of Accession; and second, the contents of this Instrument are to make the Government of India's legislative authority over Indian States broadly similar to its authority over the Provinces.

These provisions have become mandatory in all the Unions. Dominion legislation now applies to all the contents, except taxation, of Lists 1 and 3 of the Seventh Schedule of the India Act of 1935; that is, the legislature of the Indian Union can exercise over the Indian States the whole of the federal legislative powers and of the concurrent legislative powers therein set out.

In the Government White Paper issued last July a chapter headed 'Retrospect and Prospect' is well worthy of quotation here: 'The policy of the Government of India towards Indian States has been governed by the objective which they, as the first popular Government of the country, set before themselves, namely, the integration of all elements in this country in a free, united, and democratic India. This objective could be attained only by a vigorous policy of integration and democratization of the States. That process has now nearly reached completion. In a remarkably short period it has revolutionized the inner and external set-up of the States. The process of the integration of the States into viable and sizeable units started with the elimination of the chain of small States that severed the Provinces of Orissa and Bihar from the Central Provinces; it solved the cross-jurisdictional puzzle of the vast assemblage of the States of Kathiawar, and how far it has simplified the problem of the States will be evident from the fact that as against 600 or so of the units known as States which existed about the middle of December 1947, within a period of a month or two the number of the States is likely to be even less than one twenty-fifth of the original figure.

'Even more significant than the geographical changes that this bloodless revolution has brought about has been the complete transformation of the inner set-up of the States. When the paramountcy of the British Crown lapsed there were only a few States which had representative institutions; most of these were inchoate and illusory and had hardly gone beyond the Provincial Legislatures under the Montagu-Chelmsford Reforms. During recent months, however, practically every State has announced its intention to grant full responsible government and in a vast majority of them power has already been transferred to the people.

'The consummation of the new set-up of the Indian States has involved protracted negotiations, perseverance, and hard labour. The results that have been achieved will leave an imprint on India's history. But for the patriotic co-operation of the Princes the tremendous change that has come over India for the mutual benefit of the people and the Rulers could not have been possible. By their ready appreciation of the aspirations of the people they made integration of States in larger units, and transfer of power to the people, smooth and peaceful. They may well claim to be co-architects in building a free and democratic India in which the people of the Provinces and the people of the States will enjoy alike the full measure of freedom and march together as citizens of free India.'

It is clear from the last part of this passage that no radical difference now exists between the States and the Provinces so far as the powers of the Union Government are concerned, with one exception. Authority over taxation has been expressly exempted from the powers handed over to the Union Government. But it is questionable how long the exemption will last, in spite of the importance the States attach to it; a Commission has already been set up to examine the financial structure of the States, and to make appropriate recommendations. The personal allowances of the Rulers are also likely to come under review The fiscal implications of uniformity between States and Provinces have not escaped the notice of the Union Government Control over the Kathiawar ports was made one of the key points of the Kathiawar Union. Direct Union administration of Kutch may enable the Government of India to develop in Kutch a rival port to Karachi.

In conclusion it may be of some interest to give—without comment—an extract from the press report on elections for the Saurashtra Constituent Assembly. It indicates a typical tendency for these elections to become a 'free for all'.

'A Constituent Assembly is being formed for the new Saurashtra Union which was created by the merger of all Kathiawar States. Five Congress candidates, including one Ruler, the Maharaja of Palitana, have been returned unopposed. For the remaining thirty-two seats seventy-two candidates are contesting, and these include the covenanting rulers of Dhrol and Wadhwan, who are opposing Congress nominees. The Thakore Saheb of Dhrol is opposing the only woman candidate, wife of a prominent Congress leader; and the Thakore Saheb of Wadhwan is in opposition to the holder of the present interim Ministry's Industries portfolio. The Interim Home Minister is being opposed by a scion of the ruling house of Limbdi. Seven seats in the Constituent Assembly have been kept vacant for Junagadh, and one

for a constituency made up of the small Manavdar and Mongrol States, which were involved in the initial accession of Junagadh to Pakistan.'

The result of the elections has been an overwhelming victory for the Congress candidates.

L. F. R. W.

CHILE'S ECONOMIC PROBLEMS

CHILE'S role in international affairs in the last two years has tended to divert attention from the internal situation in that country, where the mounting financial and economic difficulties have been the major preoccupation of the González Videla Administration. Elected in September 1946, the new President was faced with the twin problems of a growing inflation and a rapidly dwindling reserve of foreign exchange. To complicate his task, labour unrest, directly linked with the inflation and actively taken advantage of by the strong Communist element in the country, became acute in October 1947 Starting with strikes in the chief Chilean coalfield at Lota and spreading to the important copper and nitrate industries at Sewell, Vergara, and Maria Elena, this unrest seriously affected production in the vital mining industries. Nitrate ships were held up in the ports, and even coal had to be imported to maintain essential services. These events, together with extensive speculation, especially in flour and bread, the difficulty of the enforcement of price control laws, the continued emission of currency, and the prospect of a further large internal Budget deficit, all gave an added impetus to the worsening economic situation.

As a measure of the position some statistics will best crystallize the conditions prevailing during 1947. In the production field coal had fallen from a monthly average of 190,000 tons in 1944 to 173,000 tons in 1947, copper similarly had decreased from its wartime high of 41,000 tons to 34,000 tons, although nitrate, imports of which many countries had been deprived of during the war, showed a welcome increase. Wholesale prices in 1947 increased 28 per cent over those of the previous year, and the price of farm products no less than 37 per cent. This led to the largest annual increase in the cost of living yet experienced, the index soaring

from 283 to 378 in the twelve months,[1] an inflationary pressure only exceeded in the whole continent by conditions prevalent in Bolivia. The effects of the wages and prices spiral can be seen in the rise in the daily earnings in the country's manufacturing industries, from 56 pesos in 1946 to 76 pesos in 1947, compared with 16 pesos in 1939. Similarly, currency in circulation, which had been 862 million pesos in the pre-war year, increased in 1946–47 from 3,170 million to 3,677 million, the largest annual jump recorded. A further reflection of the currency's loss of value can be seen in the curb rate of exchange of U.S. dollars of 48 pesos in 1947, compared with 35 to the dollar in the previous year.[2]

The situation in respect of reserves of foreign exchange also deteriorated. During the war the prosperity experienced in the vital industries of copper, nitrate, and iodine, as a result of the great expansion of exports of these raw materials to the United States and the rising prices received, augured well for the future. This export expansion was coupled with war-time shortages of imported goods from the belligerent nations, which prevented a correspondingly large increase in the import figures. Chile was thus enabled to build up at the war's end a considerable amount of U.S. foreign exchange. The favourable situation, however, was only a very temporary one, for the enormous demand for all classes of manufactured goods, both consumer goods and industrial machinery, which had been in short supply during the war years soon exhausted this foreign exchange reserve. The inevitable shrinkage of the U.S. demand for copper during 1946 and 1947, the first post-war years, increased the disparity between exports and imports and exacerbated the situation. These statistics of foreign exchange reserves calculated in U.S. dollars, available at the end of each year, indicate succintly the position·

Millions of U.S. Dollars

1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
1.9	3.0	2 8	2.7	5 6	12 2	17.8	25.8	27.7	4.4	10.7

A study of recent trade figures also helps to explain this great drain on exchange reserves, for, compared with pre-war conditions, Chile's 1947 imports increased over 300 per cent in cost (58 per cent in quantity), while exports, which were only slightly increased, realized 205 per cent of the pre-war figure.

It is true that Chile always appears to have a favourable trade balance (although even this has decreased steadily since the war), but the position is more illusory than real. Owing to the large foreign investments in copper and nitrate plants, sales of these Chilean exports do not return in foreign exchange the full amount

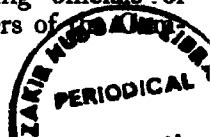
[1] The index was 106 in 1939.
[2] Official rate 31 pesos to U.S. dollar.

of the selling price. The proportion available to Chile varies considerably, dependent upon costs of production and world prices of these commodities, but it is safe to deduct between one quarter and one half of the export value of these two products from the apparent trade balance, thus considerably prejudicing the impression created by a casual study of the Chilean trade returns. It is probable that pre-war and post-war conditions in reality are those of a considerable unfavourable balance of trade,[1] while the exceptional conditions of the war years were ones when trade was more or less in balance.

Before considering the Government's reactions to these problems it is advisable to consider the fundamental causes for their existence. In the matter of inflation Chile has naturally reacted to a general world tendency, and the general shortage of consumer goods in the war years, which became more acute with the United States' participation in the conflict, was a potent factor. Speculation in scarce commodities, accompanied by an ineffective system of price control, a considerable increase in the Civil Service out of proportion to the country's population, and a succession of unbalanced Budgets, all helped to push the inflationary spiral to greater extremes.

The unfavourable trend of Chile's external trade, accompanied by the foreign exchange famine, indicates that 'balance-of-trade gaps' are not an illness peculiar to highly industrialized and densely populated nations dependent on imports of raw materials, although the causes of the disease may spring from different sources. In the case of Chile, the increase of imports is accounted for under three headings: the purchase of goods unavailable in the war years, the inflated rise in the price of these goods (especially those of U.S. origin, which represent 44 per cent of Chile's imports by value), and the demands of the increasing industrialization programme of the Chilean Development Corporation.[2] While exports have increased slightly in quantity over pre-war figures and their value has doubled, production has been insufficient to meet the greatly increased import requirements.

Realizing the vital part that increased production must play in preventing economic collapse, González Videla took vigorous measures to deal with the situation, and it is here where the internal and international facets of the Chilean scene link up. Communist participation in the Cabinet was jettisoned; agitators in the main fields of mineral production were exiled to remote parts of the country; intendentes, governors, and leading officials of Government institutions who were active members of [illegible]

[1] Perhaps to the extent of 50 million U.S. dollars.
[2] Corporación de Fomento de la Producción.

munist Party were removed from their posts, and Congress gave the Government special powers to assure public order and economic stability, including the power to operate the country's principal productive industries in the event of any internal disturbance. As a complementary step to this internal action came the Government's rupture of relations with the U.S.S.R. and two of its satellites. There is also little doubt that one of the features of the Antarctic 'annexation' was the part it played as a means of securing a popular demonstration of patriotic support, both to bolster the country's morale and to lend support to the President's anti-Communist measures within the country.

The President's swing to a more national approach rather than a partisan handling of Chile's problems can be seen in the successive formation of Cabinets progressively of a more broad-based composition His first Cabinet in November 1946 had included three Communists, but by July of the following year he headed a Ministry of a non-political character, the most outstanding inclusion in relation to the country's economic situation being Jorge Alessandri as Finance Minister, a son of the former Chilean President, and one who had hitherto kept out of politics and interested himself in the managerial side of industry. This Cabinet survived twelve months, and in July of this year the President was able to remodel its composition by the retention of six of the Ministers of the non-political group and the inclusion of members of the Rightist parties, the Liberals and Conservatives. Thus Chile for the first time since 1930 has a Coalition Government of Democrats, Radicals, Liberals, Conservatives, and non-party Members, in the hope of dealing with the economic crisis in a spirit of co-operation, Alessandri continuing as Finance Minister.

The President has endeavoured to secure co-operation between Government, employers, and labour to halt or slow down the inflation and secure a solution on democratic lines to the economic ills. His main efforts have been concentrated on schemes to increase production, to push forward industrial development, and to balance the national Budget. Steps have been taken to secure some control of wages and prices, to prevent speculation in vital foodstuffs, and to restrict credit devoted to speculative purposes only. The scarce and precious foreign exchange available was at first allocated in a fixed order of priority for four classes of imports, those of prime necessity, those essential to national industries, those useful but not essential, and those of luxury importance only. Later, the importation of many goods in the last two categories was prohibited, and an exchange budget for 1948 was drawn up, this latter feature to exercise a permanent control for each year in advance. Plans were put into operation to effect

economies in Government expenditure, to review the cost of the Civil Service, to improve the efficiency of the income-tax system, to stop uncontrolled issues of the currency, and to deal with the national deficit of 1,104 million pesos carried forward from previous Budgets. Income tax, excess profits, and property taxes were increased, Customs duties were stepped up, and the Central Bank's gold reserve was re-valued. Trade agreements were concluded with some European countries to stimulate trade, and most noteworthy in this respect was the Anglo-Chilean Payments Agreement of last June. This should help relieve the acute shortage of sterling in Chile, for Chile now enters the transferable account area and payments need no longer be made in dollars. It is hoped that this will facilitate expansion of the country's trade with countries of the sterling area, from which many manufactured goods to help increase her own production are available. Mention should also be made of the treaty with Argentina and the hopes it holds out of economic and financial co-operation and the establishment of a Customs union between the two countries.

To help relieve the exchange shortage the Government also succeeded in February in obtaining the International Monetary Fund's agreement to the establishment of a free market in foreign exchange in connection with approximately a quarter of Chilean exports, the products of small mines and agriculture other than the major products of nitrate, iodine, copper, and iron ores, which provide 75 per cent of the country's foreign exchange.

As a part of the long term policy to meet Chile's economic dilemma it is also necessary to review the progress of one of the main instruments of every Chilean Government since 1939: the work of the Chilean Development Corporation. As its name implies, by the encouragement of internal development and the active impetus it gives to sound projects of industrialization, the aim is so to increase and diversify Chile's productive capacity that the country will be less wholly dependent on the twin props of nitrate and copper exports and world fluctuations in the prices of and demands for these products, which have been the nightmare of Chilean economists since the World Economic Depression of the early thirties.[1] This objective of freeing Chile's 5½ million citizens from the whims of an unbalanced economy will also give them, it is hoped, much needed better living standards. The help the Corporation has received from the Export-Import Bank of the United States also makes it an outstandingly successful example of international co-operation.

In the 1948 Budget provision is made for large investments by

[1] During which the value of nitrate and copper exported fell from 2,004 million pesos in 1929 to 181 million in 1932.

the Corporation in industrial enterprises, notably of electricity, petroleum, transport, and agricultural machinery. Its electrification programme, which has always been the keystone of its overall plan, has reached another stage with the partial completion of the Sauzal plant, using power from the Cachapoal river, which will supplement the present inadequate supply of the important central provinces of Santiago, Valparaiso, Aconcagua, and O'Higgins. The establishment of a steel industry, in view of the country's abundance of good quality iron ore and other necessary raw materials, is vital in the industrialization plan. With the construction of the first integrated steel plant at Huachipato, near the port of Talcahuano, a major step has been taken towards satisfying Chile's growing domestic demand for steel products, which have hitherto been largely at the mercy of fluctuating availability of foreign exchange. The plant is scheduled to produce 250,000 tons of finished steel products annually, and a loan of 28 million U.S. dollars from the Export-Import Bank has helped to finance the undertaking. Another project of especial interest is the copper smelter at Paipote near Copiapó, which will serve the copper and gold producing region of that desert-fringe province. Similar progress is being made in the development of the chemical, cement, and textiles industries, whereby an increasing supply of Chilean produced articles is being made available for Chile's domestic needs. Total industrial production increases steadily, that of electricity having doubled in the last decade, while cotton manufactures have almost reached the same stage.

An interesting development is the Corporation's part in helping to overcome the great disequilibrium in the trade with Peru, which is evident from these figures for 1947:

Chilean Imports from Peru:	172,869,000 pesos
Chilean Exports to Peru:	17,258,000 pesos

This situation is almost entirely due to Chile's dependence on her northern neighbour for almost all her requirements of petroleum and sugar. Efforts are being made therefore to experiment with the cultivation of sugar beet in Central Chile, and to develop irrigation in the Azapa and Yuta valleys near the northern frontier, for sugar-cane production. Much is also hoped for from the petroleum explorations in Tierra del Fuego. Borings have shown the existence of enough oil for 20 million barrels of petroleum, but here again a great investment of equipment for production, transport, storage, and distribution of the petroleum will make heavy demands on the limited exchange available,[1] although loans might assist in this respect.

There is no doubt that a country with the agricultural possi-

[1] One estimate is 40 million U S. dollars.

bilities of Chile and with a relatively small population should be independent of agricultural imports, even with an increasing standard of living. This in itself would conserve a vast amount of foreign exchange, as food imports in one form or another account for one sixth of the total value of the imports. To this end the Corporation has given much assistance to irrigation, mechanization, improvement of agricultural stock and methods, and the extension of credit, but its programme is handicapped by the magnitude of the task of modernizing an outdated agrarian system, a task that only a most radical treatment by a separate organization devoting all its energies over a great many years can undertake with good hopes of success.

It is naturally early yet to evaluate the results of the stricter economic policy forced upon Chile by the crisis in which the nation finds itself. On the favourable side, production and exports this year have definitely exceeded the 1947 figures in almost all branches of Chilean mining and industrial production. Especially is this increase noteworthy in exports of iron ore, which are the highest ever, while coal production has made a good recovery. Copper production in June (38,700 tons) registered the highest monthly output since the exceptional conditions of 1945, and iron ore produced in the first six months of this year shows a 40 per cent increase over 1947 figures, exceeding the total 1946 production. This improvement is reflected in the balance of trade figures, the increase in exports having outstripped the rise in imports, so that the visible favourable balance has almost doubled compared with a similar period last year:

	1947 (*6 months*)	1948 (*6 months*)
Exports	630 9 million pesos	740.9 million pesos
Imports	554.5 ,, ,,	601 8 ,, ,,
Balance	76 4 ,, ,,	139.1 ,, ,,

The 1947 financial year also closed with a surplus of 368 million pesos, which was used to reduce the deficits carried forward from previous years.

There are, however, still very visible signs that the inflationary pressure has far from run its course, or indeed that the Government's measures have been drastic and water-tight enough even to check its upward surge. The cost of living index has risen uninterruptedly at the same swift rate as in 1947, increasing from 403 to 437 since the end of last year. Wholesale prices have increased a further 10 per cent over those of last December; the curb exchange rate has soared in the last six months from 48 pesos to the U.S. dollar to over 65, while currency in circulation still mounts steadily, even if not at an increasing pace.

The increasing demands of the country's development maintain the reserves of foreign exchange at a low ebb, smaller than those available to countries like Bolivia, Paraguay, and Ecuador with smaller economic bases. This latter phenomenon, however, is bound to be a prevalent feature of the Chilean economic situation for many years, until the country reaps the benefit of the effect of its present internal development and industrialization, and is freed from dependence on its mineral exports. It is a period of transition from an economy in which minerals dominate the well-being of all Chile to a framework where the twin supports of industrial expansion and increased food production will give the Chileans the higher standard of living they undoubtedly need. All periods of transition are difficult ones, but its coincidence with the aftermath of a world upheaval and all the economic stresses and strains so imposed will need wise statesmanship within the country, and a generous measure of international co-operation on the part of those nations economically linked with this Pacific democracy, if Chile is once more to overcome successfully the continuing crisis she faces. News in November of the suppression of what appears to have been a projected military coup sponsored by General Ibañez[1] would seem to indicate that others believe only severe and violent methods will meet the economic challenge.

G. J. B.

[1] Dictator of Chile, 1927–31, during one of Chile's few departures from democratic processes

ERRATUM

We are asked by 'T. R. C.' the author of the contribution entitled 'Life in Berlin Today' which appeared in our December issue, to make a statement regarding this article. On p. 504, line 27, the words occur 'no one really has anywhere "forward" to go to except the Communists'. The author actually wrote 'no one really has anywhere "forward" to go to except the Communists, and the vistas to which they direct our eyes are by no means unrelievedly attractive. They at least are not the right answer.' The latter half of the sentence was unfortunately omitted through an error in reducing the length of the article. By this error, for which we apologize and take full responsibility, we made the author appear to be praising the Communists in Europe as a truly progressive force, whereas, in fact, he intended to do exactly the reverse and to state that, in his view, if they were progressing at all it was in the wrong direction.

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NOTES OF THE MONTH

Possibilities of Settlement in Palestine

ON the eve of Israel's first elections—25 January 1949—the Palestine problem looks closer to a settlement than it has done for many years. The Jews and the Egyptians are negotiating a truce at Rhodes. The Jews and the Lebanese are arranging, on the Lebanese frontier, that Israel shall evacuate certain Lebanese villages. The Jews and the Transjordanians are parleying in Jerusalem. Inside Israel, Mr Ben Gurion and his colleagues of the predominant *Mapai* party are making election speeches extolling an end to war, speedy demobilization, and settling down to the task of developing the lands that Israel has won. Transjordan has for many months been ready to come to terms on such a basis. No other Arab army has the heart or the means to continue fighting now. It looks as if the war is over

But this quiet has been achieved only at a heavy price. The events of November, December, and January included a series of battles and alarums that have done no one except Israel any good. The Arab League has—temporarily at least—collapsed in wordy disagreement as to whether to continue refusing to admit the existence of Israel, and whether to expel its one member who is ready for compromise—King Abdullah of Transjordan. The Israelis have carried through a victorious drive southwards to and beyond the Egyptian frontier. The Security Council has almost unanimously passed three ineffective resolutions, one of which went so far as to mention a 'study' of sanctions. A tragic brush has occurred between British reconnaissance aircraft and Israeli fighters on and inside the Egyptian border. The three months in question have witnessed, therefore, the total failure of a Security Council that has no teeth as an instrument for stopping war, and the total success of the Israeli State in its flouting of international authority.

The situation demands, and at the moment of going to press

seems to be obtaining, a thorough review of Middle Eastern policy both in London and in Washington. For the events of the turn of the year are fresh proof, for any who need it, that unless Great Britain and the United States act in step in the Middle East, the whole strategic build-up of the Anglo-American position is imperilled. The trend of a series of conversations between the British Ambassador in Washington, Sir Oliver Franks, and the American Under-Secretary of State for Foreign Affairs, Mr Lovett, seems to imply that Mr Bevin has been, in American eyes, too frightened of Israelite aggression and of potential Israeli leanings towards Russia, and that Mr Truman has been, in Britain's view, too careless of wounded Arab pride and of the Arabs' fears of Israel's wealth, numbers, modern equipment, and expansionist aims. It is strongly to be hoped that 1949 will produce an agreed Anglo-American policy for the area.

Though the outlook is brighter, final settlement is still some way off The frontiers of Israel are still fluid. President Truman is still referring to the 1947 partition line, so it is evidently not, in his view, a foregone conclusion that both the Negeb and Galilee should be included in Israel. The Israeli victors wish to keep both. Other matters still in doubt are the internationalization of Jerusalem (where a United Nations Three-Power Conciliation Commission is being set up) and the question of a Mediterranean outlet for Transjordan.

European Assembly?

The Five-Power Inter-Governmental Committee on European Unity has now resumed its sessions in Paris after the delay asked for by Mr Bevin So far no official statement has been issued, but reports from Paris suggest that the Committee is still a long way from reaching a compromise between the French and British proposals for a European Assembly or Council of Ministers, or both. It has been suggested that the secretariat should be established at Strasbourg. Meanwhile the ultimate responsibility of the military organization set up at Fontainebleau remains undefined. That organization, with Lord Montgomery as Military Chairman, is now responsible to the Defence Ministers of the separate sovereign Governments. It is an arrangement in some ways akin to that which functioned in the war under General Eisenhower, and which may well appeal to the Anglo-Saxon genius for compromise, but which is perhaps less likely to find much favour in the eyes of the French, who like their institutions logical.

The basic difference between the French and British proposals is that the British seem determined that, whatever body is ultimately set up, whether it be Assembly, Council, or Conference, the

delegations should be nominated by Governments, the whole organization being thus kept under strict governmental control. These delegations would vote in a block, so that party opinions would not cut across national allegiance. Such a situation would, in French opinion, stultify the whole project, which aims to elicit and express a growing European popular opinion. The French, supported by the Belgians, are asking for a much more representative body, a Consultative Assembly with national delegations appointed by their respective Parliaments and reflecting the relative strength of political parties.

Although nothing is known officially of the British plan, it is thought in Paris that Mr Dalton has suggested a 'Committee of Ministers', consisting of one representative from each member country, and a small assembly of Government-nominated delegates to meet once a year for a three weeks' session. In addition to these propositions, various sub-committees would be set up to study specific questions. This is a long way from the Franco-Belgian proposals. The wide divergence of opinion between the French and British is disappointing, especially after the reported success of the Bevin-Schuman conversations. Meanwhile, if neither side is prepared to make concessions, it is difficult to see how agreement can be reached. The Benelux delegates to the Herriot Committee are reported to be awaiting fresh instructions from their Governments. If they take a firm stand alongside the French, it will be difficult for the British to maintain their attitude without laying themselves open to renewed charges of calculated 'luke-warmness'. Such accusations, whatever their justice, have been made before, and not only from this side of the Atlantic. There could in any case be no worse advertisement for European self-help than a deadlock which might, as has already been suggested, call for arbitration from Washington.

A German University in 1948

A building which was once the palm house of the Botanical Gardens on the fringe of the city of Munster is one of the most visited places in the Land of Rhine-Westphalia at the present time. It is dank and cold in autumn and winter. In summer, when the sun beats down on the low roof, the palm house is only fit for crocodiles. But in winter and in summer it is occupied by a constant stream of students. The lucky ones take their bicycles in with them for safety's sake—for the palm house is now a university lecture room.

The core of the city of Münster lies in ruins. The University buildings are shattered beyond repair. The Library is burned out, and more than half the books are destroyed. There are no places

left where once university students gathered together in a communion of university life. And yet, the press of candidates for admission is so great that, in common with all German universities at the present time, a *numerus clausus* has become inevitable. In a city of 103,745 inhabitants, where average living space is now available only in the proportion of three persons to two rooms; where families live either in basements or in the ruins of their houses, or in congested apartment houses on the outskirts; where privacy has fled and the stark problems of daily life must obsess the mind, a new university has sprung to life.

Something over 4,000 students, of whom about one-third are women and 111 are foreigners, are enrolled this year as members of the University. Many of them live out in farms and villages, and come in from far and wide for the day, equipped with nose-bags containing sandwiches. A hot soup is available now for a few pfennigs at a communal kitchen. For lack of teaching space, a Box and Cox arrangement has been worked out by which intensive teaching is given to students for a period of days and they are then returned to the country for six weeks or so to work by themselves and to make room for others Many are earning the money to educate themselves while pursuing their studies. Before enrolment all candidates are required to work for five months, clearing away rubble, in return for their keep. They are at present clearing the site on which the new University buildings will be constructed from the shell of the splendid baroque Palace on the fringe of the city. This should provide an impressive university centre, not too far distant from the imposing array of medical clinics which still remain more or less intact, together with the barracks on the perimeter of the city In time some of these barracks will also be available for use by the University. The tendency in Germany today to rebuild historic cities in slavish imitation of their ancient glories may rightly be deplored, but the eighteenth century exterior of the Schlaun Palace affords an opportunity to meet the wishes of the German university authorities that this building should be restored and replanned internally for the use of the University. A students' hostel to house fifty has recently been built by the students themselves, with the encouragement and blessing of the Commission of Control for Germany.

The overwhelming difficulties facing the University of Münster could not possibly have been overcome without the close and understanding co-operation of C.C.G. with the local authorities. It is clear that the University Education Control Officers in the field bear a very heavy responsibility. Münster is an example of what may be achieved by firm and skilful nursing. Not only has the university come back to life, based on its ancient traditions of

learning and scholarship, but there is a spirit of enterprise and constructive realism in its new-found freedom.

Two interesting developments may be noted—one at the undergraduate level and the other for post-graduates. At the undergraduate level the university course for journalists (*Zeitungswissenschaft*) has been revised and entirely reorganized and is attended by a number of students of both sexes. They are said to be amongst the liveliest in the University. It is a well-found course, cutting across the traditional university schools of Philosophy—'Philologie'—, History, etc. This School may well have important and far-reaching results. At the post-graduate level, a Research Institute in Social Sciences (*Sozialforschungsstelle*) was founded in Dortmund in 1946. It was affiliated to the University of Münster for research into social problems with special reference in the first place to the Ruhr, but the results may well transcend these limitations. Child guidance clinics are also in contemplation, and research is in progress which involves methods and types of group research and practical investigation not hitherto commonly practised in Germany A healthy spirit of independence is furthermore noticeable since this particular research institute is supported to the extent of one-third of its funds from private corporate subscribers, mostly business firms and industries

INDONESIA

POLITICAL AND ECONOMIC REALITIES

THE year 1948 opened in Indonesia with a certain cautious optimism on all sides; it ended with the Netherlands invasion of the Republic of Indonesia. The Committee of Good Offices was in the position of a referee at a football match who is completely ignored. Several permanent members of the Security Council, during the December debates on Indonesia, did not appear to care whether the authority of the Council itself, let alone that of its Committee, were enforced at all.

In 1948 there had been the Renville Agreement in January. Then political negotiations continued until July between the Dutch and the Republic; from August to November there was a kind of stalemate, in the course of which the Dutch attempted direct negotiations with the Indonesians without the intermediary of the Committee December saw the Netherlands Government repudiating the Truce Agreement, having arrived at an understanding with the non-Republican states. In the same month, the Republic was overwhelmed by the Netherlands Armed Forces and its principal officials captured. The matter was brought to the notice of the Security Council. After something suspiciously like sharp practice in voting, it then adjourned, its resolutions on the cease-fire and release of prisoners having been ignored, though quite politely, by the Netherlands Government.

The Committee of Good Offices, established under a Security Council resolution of 25 August 1947, had arrived in Java in October 1947. It set about a two-fold task of ensuring an effective cessation of hostilities and assisting the parties to arrive at a political settlement upon which the future constitutional development might be based. The members of the Committee were M. P. van Zeeland (Belgium), Dr Frank Graham (U.S.), and Mr Justice Kirby (Australia); the Secretary was Mr T. G Narayanan, of the United Nations Secretariat.

In January 1948 a Truce Agreement was signed, after a certain amount of difficulty, on board the U.S.S. "Renville," in the Batavia roadstead. The agreement provided for a cessation of hostilities with a demarcation line dividing the areas controlled by the two parties. This *status quo* line was roughly that laid down by Dr van Mook, the Lieutenant Governor-General, on 29 August; it had been the forward point of penetration by spear-heads of the Dutch Army during the Police Action of July 1947. The Truce required all troops to be withdrawn behind demilitarized zones on either side of the line. In practice this affected the Republic only,

and about 30,000 men were evacuated from pockets of resistance in West Java. The Truce further stipulated that prisoners should be repatriated and sabotage and propaganda proscribed, that civil police should replace military, and that the Committee should lend its military observers to assist in settling any incidents that might arise. Article 6 of the Truce Agreement read as follows: 'That trade and intercourse between all areas should be permitted as far as possible; such restrictions as may be necessary will be agreed upon by the parties with the assistance of the Committee and its representatives if required.'

The Truce left the Republic with most of Sumatra, but with Dutch enclaves in the Medan, Palembang, and Padang areas. In Java, the Republic consisted of Bantam in the west, and Central Java; West Java (Pasundan) and East Java and Madura had been taken over by the Dutch. Madura had been seized after the cease-fire, but the Dutch justified this action on the grounds that it was economically dependent on the mainland and that the Republic had neglected it.

An important part of the agreement lay in the eighteen political principles signed by the two parties, which were to form the basis of a future political settlement. Four of these were taken from the Linggadjati Agreement of 15 November 1946, eight were suggested by the Netherlands Delegation, and the 'Six Additional Principles' were put forward by the Committee itself. The Principles envisaged a future federated United States of Indonesia, which would become incorporated with the Kingdom of the Netherlands in an over-all Netherlands-Indonesian Union. In the meantime, the Republic recognized the sovereignty of the Netherlands, until such time as this sovereignty should be transferred to the United States of Indonesia. The first two Additional Principles, over which there was so much later dispute, are as follows:

1. Sovereignty throughout the Netherlands Indies is and shall remain with the Kingdom of the Netherlands until, after a stated interval, the Kingdom of the Netherlands transfers its sovereignty to the United States of Indonesia. Prior to the termination of such stated interval, the Kingdom of the Netherlands may confer appropriate rights, duties, and responsibilities on a provisional federal Government of the territories of the future United States of Indonesia. The United States of Indonesia, when created, will be a sovereign and independent State in equal partnership with the Kingdom of the Netherlands in a Netherlands-Indonesian Union at the head of which shall be the King of the Netherlands. The status of the Republic of Indonesia will be that of a state within the United States of Indonesia.

2. In any provisional federal Government created prior to the ratification of the constitution of the future United States of Indonesia, all states will be offered fair representation.

Article 4 laid down that not less than six months or more than a year after the signing of the agreement a plebiscite would be held to decide whether the population of the islands wanted to join the Republic or another State. Since the parties were unable to agree whether the 'agreement' referred to meant the Renville or the future political agreement, these elections were never held. Others of the eighteen Principles guaranteed free speech and right of assembly and of publication; these were not honoured either.

It was recognized that the nature of this provisional Government was the crucial point. Behind the subsequent failure of negotiations lay the fundamental difference of opinion on the interpretation of this question. The Netherlands authorities insisted on the 'sovereignty' issue, and maintained that, until the establishment of the United States of Indonesia, any provisional Government should be completely subordinate to them in practice as well as in theory. They would suffer no limitation on their sovereignty, and they would give to the provisional Government such responsibilities as they alone saw fit Behind this attitude was the Dutch distrust of the motives of the Republic Knowing the enormous popularity of Dr Soekarno, they feared the Republic would seek to rally the whole of Indonesia to it, or would take by force what could not be won over. The federative nature of the U.S.I., and, incidentally, Dutch economic influence, would thus be lost for ever. It was necessary for the Netherlands authorities to have some statutory limit on the size and power of the Republic. These considerations were undoubtedly behind the subsequent and occasionally rather hurried setting up of the provisional 'negaras', or states. Many Dutch people, too, remembering the autumn of 1945, were physically afraid of the Republic, which they called somewhat indiscriminately a 'Japanese puppet' and 'Communist'.

The Republican authorities, on the other hand, were equally distrustful of the Dutch. They thought that the Dutch Government really aimed at the restoration of the old colonial system, and were no doubt confirmed in this view by the first Police Action. The Republicans, moreover, feared that the Union meant for the Netherlands the theory of a 'Rijksverband', in which the ultimate authority would remain with the Netherlands. For the Republicans, the separation of *de jure* and *de facto* sovereignty meant that they would not surrender their practical attributes of independence to a provisional Government completely under Netherlands authority, but only to a United States of Indonesia. The Committee of Good Offices helped to perpetuate this difficulty by assuring the Republic that nothing in the agreement altered the status of the parties.

Such were the misgivings and confusions when the Committee started discussions for a political settlement. It had been decided to hold negotiations alternately in Batavia and in the Republican capital, Jogjakarta (actually in a hill-station near by, Kaliurang), at three-weekly intervals. The personnel of the delegations had changed: M. Coert du Bois had replaced Dr Graham, and Mr T. K Critchley and Mr Raymond Herremans took the place of Justice Kirby and M. van Zeeland. Though in no way less in command of the details of the negotiations, the newcomers had perhaps less personal authority than their predecessors. The nominal head of the Netherlands delegation was Raden Abdul Kadir Widjojoatmodjo, before the war a minor Dutch official. In practice the leading role was played by the Vice-Chairman, Jonkheer van Vredenburch. The delegation was responsible, not to the Lieutenant Governor-General, but to the Netherlands Government in The Hague. The Republican delegation was led by Dr Roem of the Right-wing Masjumi party. Behind each delegation were vast cohorts of experts, a contrast with the limited personnel of the Committee On the Republican side, the Renville Agreement had been negotiated and signed by Dr Amir Sjarifuddin, but it had been opposed by the Right-wing P.N.I. (Nationalist) and Masjumi (Moslem) parties. As a result, Dr Sjarifuddin resigned and the Left wing went into opposition, while the Right wing parties accepted the Renville Agreement on condition that they had some say in implementing it. Hitherto the Right had been noticeably less inclined to negotiate with the Dutch than had the Left.

A Steering Committee and four main Committees were then set up to channel the various questions that arose. The implementation of the Truce itself was dealt with by a Security Committee. It occupied itself in hearing alleged infringements of the Truce Agreement on both sides. The Dutch gave infringements of the Truce Agreement as the main reason for the December attack; the Republic also complained of Dutch contraventions of the agreement. The release of prisoners of war, the evacuation of families of military personnel, the widening of the demilitarized zones, the disposal of German and Japanese nationals, and the delineation of the *status quo* line were some of the other topics which this Committee tried to handle. To a certain extent the work of the Social and Administrative Committee overlapped with it, since its main concern was the return of evacuees from the territory of one party to that of the other. The Economic and Financial Committee had to consider the outlines of the financial aspects of the future United States of Indonesia and the Union. Some work was done in this field, but there were, inevitably, a number of

points of disagreement on questions of principle. It had also to implement the economic clause, Article 6, of the Truce Agreement. Under this heading came the normal functioning of public services, the question of sea and air traffic, the trade of the Republic in general, and the specific problems mainly connected with the operation of the highly restrictive Netherlands trade regulations, or—as the Republic called them—the 'blockade'. Numerous regulations had been introduced by the Netherlands Indies civil, military, and naval authorities between January 1947 and the signing of the Truce Agreement, and these had been continued.

It was obvious that these economic questions were fundamental to the future of Indonesia, and that if they could be cleared up many other difficulties would automatically solve themselves. Economic rehabilitation in the Dutch-controlled areas was proceeding satisfactorily, except in West Java; but the Republic was still in a very bad way economically. It was unable to export anything, or to import anything it needed, without Dutch permission. The control regulations were complicated and onerous. The Republic claimed that they were contrary to Article 6 of the truce; the Dutch claimed that they were necessary to prevent the import of goods that could be used militarily. In practice, however, this included all machinery, railway and communication equipment, vehicles, fuels, and asphalt and road-making materials—obviously a very wide definition of what constituted material 'suitable for military purposes'. The regulations were also designed to limit 'illegal' trade, including trade in foreign-owned estate products, to conserve the foreign exchange resources of the Indies; and to protect Indonesian producers and consumers against exploitation by foreigners. These were all worthy motives, though it is doubtful whether the ragged and hungry peasants of Central Java considered that this protection was being adequately afforded by restrictive regulations. But the Dutch maintained that their 'sovereignty' over the whole of Indonesia provided a legal basis for all and any regulations. Whatever the intention, the regulations, as the Committee found in a special report to the Security Council, undoubtedly did restrict trade and economic intercourse, though the Committee shied away from suggesting any solution since that would involve expressing itself on the nature of the 'sovereignty' in question. The situation was not, however, uniform throughout the Republic. In northern Sumatra there was a flourishing trade with Singapore, but the appalling economic conditions in parts of Republican Java, which the Dutch contrasted with the progress of areas controlled by themselves, might certainly be put down to the effects of these very regulations.

As the Committee said, there was no solution but to find a political agreement.

This was the task of the last and most important Committee. But it was in the Political Committee that the two parties found agreement impossible, especially as to the interim period when the provisional Government would take over before the setting up of the United States of Indonesia. The Republic did not trust the Dutch enough to hand over its *de facto* authority obtained at Linggadjati (Article 1, Linggadjati Agreement) until the complete transference of sovereignty by the Netherlands to the U.S.I. In practice it would not give up its independence, its army, its own foreign relations. The Dutch position was based on quite different grounds. The Republic was to be one of the states of the U.S.I., and since it would have to belong to the provisional Government, it would have to come in like any other 'state' in Indonesia, and consequently to surrender its pre-requisites of independence, which the Dutch in any case considered theirs This irreconcilable position found expression in various questions of detail as to what powers would be conferred upon the provisional Government, and how independent that Government might be able to be. The Republic wished to see it strong, the Dutch weak. The question of elections was another knotty problem, and so was the whole conception of the Union—how 'independent' as well as how 'sovereign' the partners would be.

By May it was becoming obvious that no agreement was possible. The real work was done in Sub-Committees on which the Committee of Good Offices was not represented, and of whose activities they had not always an up-to-date knowledge. Sometimes the Sub-Committees could not even agree on a report to disagree.

In May and June the Australian and United States delegates set about trying to break the deadlock, since neither party seemed disposed to compromise in any way. A confidential working paper, the Critchley-du Bois proposals, was presented to Dr van Mook and Dr Hatta The Republic accepted this as a basis for working upon, but the Netherlands refused to do so, and suspended negotiations, claiming that the contents of this working paper had been disclosed to the press. But in its Fourth Interim Report to the Security Council the Committee of Good Offices said that, as far as it was aware, the proposals were never published. The proposals aimed at the holding of elections for a Constituent Assembly. This, after having confirmed the frontiers of the states, would form itself into a provisional Government. Here was an attempt to get at the root of the matter with a vengeance. It would have been interesting to have heard the views of the Netherlands delegation on the subject. However, their sole comment in refusing

to discuss the proposals was that the matter fell outside the competence of the Committee.

Shortly after this a general election took place in Holland, and the Cabinet eventually formed indicated a slight shift to the Right. There were no further suggestions from the Netherlands delegation, but the Committee was informed that new instructions would be received and that the situation could not be called a deadlock. The new instructions (if they arrived) were never put before the Committee, and an uneasy stalemate persisted through July and August. In August the Netherlands authorities took a series of steps which, however necessary they might have been, did nothing to improve the atmosphere. First came the seizure of a hospital in Batavia run by Republicans, then an unfortunate shooting incident on the eve of 17 August, Republican Independence Day, at the Republican Headquarters in Batavia. Police attempted to disperse a meeting which, it was said, had originally gathered to watch a newsreel of Princess Elizabeth's wedding They met with resistance, Republican songs were sung, and the police opened fire Several boys and girls were hurt, and a boy and a policeman were shot dead Later on, the Netherlands authorities threatened to expel a number of people from Batavia on unspecified charges. Since there were in practice no negotiations taking place at the time, these actions had little effect except to make the general atmosphere on both sides very bitter. There was also the Dutch revelation of the sale of substantial quantities of opium by certain Republican officials. Throughout the summer both sides complained of infringements of the Truce, and there was a mounting record of clashes near the *status quo* line

Internal conditions throughout the Indies varied locally in the first eight months of 1948. In Sumatra things were fairly quiet, both in Republican and Dutch areas. With the exception of the Asahan area, the Republican parts of Sumatra were much better off than Republican Java; and in their regions the Dutch went ahead with increasing their economic prosperity. Economically the outer islands, too, showed great progress. But in Java the situation was not too stable. The Dutch-occupied areas were prevented from regaining their pre-war prosperity by guerrilla activity, and many plantations were unsafe for Europeans, or, for that matter, for Indonesians. Severe retaliatory measures, usually called 'mopping-up', were carried out by the Army, but not with entire success. It became clear that the guerrillas were sheltered by the population. The Dutch accused the Republic of fomenting trouble and of infiltrating troops into West Java. The Republic denied the accusation, and said that, in any case, the Dutch were

guarding the *status quo* line too carefully for any armed troops to infiltrate. In parts of West Java, notably around Tasikmalaya, things were entirely out of hand.

Meanwhile a new 'state' of Pasundan was set up in West Java by the Netherlands authorities, but, as in the other Dutch-sponsored states, the most important subjects (defence, internal security, economic affairs, and, of course, foreign relations) were reserved', so that any independence was very much qualified. One of the principles announced by the Dutch is that of local autonomy, and the state of Pasundan is theoretically to allow the Sundanese people self-government. This principle is somewhat flexible, for the state of East Indonesia comprises half a dozen racial groups, while the state of East Sumatra has no specific group at all. The representatives of the non-Republican states were summoned by the Netherlands Indies authorities to a conference in Bandung which lasted all the summer. Its purpose was general consultation and a sounding of opinion. The Republic protested to the Security Council that this was an infringement of the Renville Agreement, in that it was laying the foundations for a future provisional Government without the Republic. The Dutch denied this, and said that, on the contrary, it was fully in accordance with the Renville Agreement to obtain the opinion of all groups. The Netherlands Indies Government informed the Committee that the Bandung Conference was outside the scope of the Committee of Good Offices, having nothing to do with the negotiations between the Republic and the Dutch. But during the course of deliberations the scope somehow became enlarged. During September and early October delegations from non-Republican Indonesia came to an agreement with the Dutch Government at The Hague on the formation of a future provisional Government, partly on the basis of a resolution passed by the Bandung Conference in July.

While these political negotiations were going on the Dutch were building up their areas strongly from an economic point of view In the Republic the opposite occurred. Political life was all too vigorous; economically the country was going down-hill. This was mainly because of the trade regulations, and therefore lay outside the scope of the Government's responsibility. Nevertheless it provided a weapon for the opposition to use against the Hatta Government. After the resignation of Amir Sjarifuddin in January, the Vice-President, Mohammed Hatta, formed a Cabinet mainly of the Centre and Right-wing parties. It was responsible to the President and not to the Provisional Parliament (K.N.I.P.), since, with the whole of the Left wing in opposition, the securing of a parliamentary majority was not too certain. The ex-Prime Minister, Sutan Sjahrir, broke away from the Socialist Party of

Sjarifuddin and supported the Hatta Government, withou however, joining it. Some of his supporters, intellectually the mo able men in the Republic, were prominent as advisers of tl Prime Minister, though Dr Hatta dominated his Cabine Sjarifuddin formed the opposition into the People's Democrat Front, a Left-wing coalition, which attracted much suppo throughout the Republic, especially in Java. It campaigne constantly and infiltrated into the Army and Trade Unions. I opposition was not only on the question of negotiations— now opposed the Renville Agreement—but also on the intern problems of the so-called rationalization (which amounted in fa to demobilization) of the Army and of reconstruction.

This situation rose to a climax in August, when, after the retur of Muso, all opposition merged with the P.K.I. (Communi Party). Muso was one of the first Indonesian Communist leade after the 1914–18 war; he had spent twenty-three years abroad, good deal of the time in Russia. The People's Democratic Fror at the end of August had included the Trade Union leadershi the Labour Party, and the armed Socialist Youth (Pesindo). Bu the position of the Hatta Government was growing progressivel weaker. The 'blockade' was as severe as ever—reconstruction wa virtually impossible—and the negotiations were getting nowhere The culmination of the unrest was the armed uprising in Madiu on 18 September. This was Communist-inspired, though th actual timing was premature. The Government acted promptl and, using mainly the troops evacuated from West Java, had th situation under control in a few weeks. Most of the Communis leaders were captured and resistance became spasmodic an confined to mountainous districts. The revolt was symptomatic o the general dissatisfaction with the progress of negotiations.

Throughout the summer the Committee made no report to th Security Council, which remained officially uninformed of th situation and of the progressive deterioration of relations. Th position of the Committee was difficult. It had no powers; it function was not even advisory unless both parties asked fo advice. It could only offer 'good offices'. Many of those on th spot were not quite sure what this meant. But it is difficult t understand the Committee's inactivity in not informing th Security Council that for the two months of July and Augus there had been no progress at all but only deterioration in th negotiations. However, in September the new United State delegate, Mr H. Merle Cochran, like his predecessor a vetera State Department diplomat, produced a new plan. Since th previous proposals had been virtually vetoed as a Committe plan by the action of the Belgian delegate, this new United State

proposal was given to both the Republic and the Netherlands as a *Note Verbale*, under conditions of great secrecy. These proved later to be unnecessary, as it was revealed by the press in Holland. Again the Republic accepted the plan as a basis for discussion, with a few preliminary conditions. After several weeks the Netherlands Government accepted it too, but attached so many amendments of substance as to alter the whole conception. This plan also was based upon the principle of elections as a preliminary to a solution. When the Republic reiterated its acceptance of the plan, the Dutch claimed that political discussions could not start until the Truce implementation had been settled. This was a point which had not been made before and clearly prevented the resumption of political negotiations and hence a discussion of the Cochran plan.

At this juncture the Netherlands Foreign Minister, Dr Stikker, arrived in Batavia. He met the Republican Prime Minister, and after some discussion returned to The Hague; but he gave his opinion that there did exist some basis for agreement. He returned to Indonesia again with a Cabinet Mission consisting this time of himself, the Minister for Overseas Territories, and the Royal Commissioner. These two, Dr Sassen and Mr Neher, belonged to the Catholic and Labour Parties respectively. They stayed a week and then went back and reported to the Dutch Cabinet that there seemed to be no use in further negotiation. Dr Sassen accused the Republican Prime Minister of repudiating certain commitments he had made both to Dr Stikker and in an *aide-mémoire* sent to the Dutch Cabinet. This concerned the vital point of placing the Republican Army under the ultimate authority of the High Commissioner during the duration of the provisional Government. On all other points the Republic had given way. The Republicans entirely denied that they had changed their point of view. However, the Dutch Cabinet was not disposed to negotiate further. On 11 December the Netherlands authorities informed the Committee of Good Offices that, since it was impossible to come to an agreement with the Republic, there was no point in further negotiations and a provisional Government would be set up without it, though a place would be kept open for its possible later inclusion.

The recent facts in the story can easily be told. On 13 December Dr Hatta asked the United States delegate to assist in re-opening negotiations, and Mr Cochran forwarded to the Netherlands delegation a letter of Dr Hatta's setting down 'certain basic considerations' dealing with the recent talks between the parties. On 17 December the Dutch delegation replied to Mr Cochran that a continuation of negotiations would be useless unless the Re-

publican Government bound itself to accept immediately the Netherlands point of view on the basic issues between the parties, including the implementation of the truce. Mr Cochran replied that he could not, 'consistently with my obligations as a member of the Committee of Good Offices, press Dr Hatta to reply summarily on the conditions imposed by your telegram, because it calls for a non-negotiated blanket assent which would preclude the possibility of bona-fide negotiations rather than effect their resumption'.

In the opinion of the Committee, the Dutch reply of 17 December constituted an ultimatum to the Republic. This ultimatum was not answered, and half an hour before midnight on the 18th the U.S. delegate was informed that the Dutch were terminating the Truce. Since he was in Batavia, while the other two members were in Kaliurang, the Committee as such was first aware of the end of the Truce when the bombs fell on Jogjakarta airfield. So was the Republic, since their representative in Batavia was arrested before he was able to transmit notification of the end of the Truce to his Government. In the early morning of 19 December Dutch forces attacked the Republic, and in a few days it was overrun. The President, Prime Minister, and Commander-in-Chief were captured on the first day. In a remarkably short time, the Dutch were in control of the towns and roads The world was presented with what appeared to be a *fait accompli*, though a report of the Committee of Good Offices contradicted optimistic statements of Dutch military authorities on the 'pacification' measures.

The Security Council, taking up the question on 22 December, passed resolutions on the 24th calling for an immediate cease-fire. They also demanded the release of President Soekarno and other important Republicans. When, after four days, nothing had happened, the Council passed another resolution calling for the release of the same people within twenty-four hours. The Netherlands announced that they would act in their own time as they saw fit, and the Council, without seeming unduly perturbed, adjourned.

At the time of writing, the Netherlands have gained their immediate military objective. Queen Juliana has reiterated her mother's promises about self-government She has promised a federal government in a few weeks and elections as soon as possible. The Dutch have decided not to carry out the Security Council's resolution on the release of prisoners.

The sequence of events leading up to the military attack is perhaps not to the credit of Netherlands methods of negotiation. But that does not necessarily prejudge the wisdom of Dutch actions. From an analysis of the negotiations it is clear that the Dutch had

no intention of compromising on the essential features of the future administration of Indonesia. The test of the soundness of this policy lies in the future.

It is easy to blame the Dutch, and nearly as easy to defend their policy. The Netherlands Government has been 'realistic'. If this policy can ultimately lead to the independence and prosperity of Indonesia as envisaged by the Renville Principles, so often re-affirmed by the Dutch, the policy's rough edges will, by twentieth-century standards, have been justified. The viability of the Republic was demonstrated by the very fact of its three years' existence despite economic privations. Meanwhile the United Nations can claim little credit for its part in the dispute, despite the genuine efforts and hard work of the individual members of the Committee of Good Offices. The Security Council permitted eighteen months of indecision to culminate in its handling of the debates of last December, which might charitably be characterized as vacillating, except where the tactics of the permanent members point to a less creditable motive.

It is, of course, unnecessary to doubt or distrust the motives of the Netherlands Government, but it is imperative to point out that the results of their policy must do more than justify Dutch intentions to themselves or to the West. Most of Asia is united against the Netherlands, with an intensity which Europeans find a little hard to understand. A record of tolerance and liberty in Europe by no means implies the same in Asia, particularly to an Asiatic. The reaction of the countries of Asia has recently been made plain at the Delhi Conference. The fruits of these three years of Dutch hard bargaining and armed activity will have to overcome the suspicions of Asia, and for that more than a façade of federalism will be necessary. In Indonesia itself the same caveat must be entered. Two military actions in as many years on the part of the Dutch are not the best means of inducing Indonesians to co-operate—the Federalists strongly disapproved of last December's events. Unless the Dutch show more desire to give as well as to take, the future will undoubtedly see an upsurge of Republicanism in those areas where it is not strong already. The consequences of this might well be military as well as political

E. A. R.

CONTRASTS IN BERMUDA

PROSPERITY AND DISCONTENT

NO part of the modern world, however small, can isolate itself from the course of world events. This is especially true when these events impinge on a unique meeting place of the two greatest English-speaking democracies, the small, picturesque British colony of the Bermudas. In many aspects of its economic, political, and social life, Bermuda, even until the thirties of this century, managed to preserve an isolation from the trend of modern political and social thought. This parochialism was maintained in spite of the constant and numerous contacts established by the passage of tens of thousands of visitors through the colony and the frequent excursions of Bermudians beyond their native shores. It is a question how far this policy of being in the world but not of the world is due to an isolationism and defensiveness to outside criticism inherent in most islanders; but the slogan of 'Bermuda is different' has been, and still is, the conservative Bermudian's chief explanation why he resists tendencies predominant elsewhere. Unless this attitude of mind is appreciated, an understanding of many of Bermuda's problems is difficult, if not impossible. Perhaps the survival of horse and buggy transport is the most vivid and visible example of this attempt to preserve a different way of life.[1] Today, however, its strategic position,[2] its importance on trans-Atlantic air routes, its crowded population, and its value as the meeting place of so many aspects of Anglo-American interests all make imperative a consideration of the results of the impact of modern conditions on its inhabitants, their Government, and their political and social institutions.

The colonists of this small group of coral islands in the Western Atlantic, settled in the seventeenth century, had few economic problems until the coming of steam largely displaced their earlier activities in shipping and ship-building, when they turned to agriculture, making Bermuda onions, arrowroot, and early vegetables known far beyond the limited horizons of their producing area. Dependent as this industry was on the American market, to which nearly all its products were exported, it did not long survive the competition of the continental product, which benefited from improved transport and refrigeration in that country, and its fate was finally sealed with the passage of the high protective Smoot-Hawley tariff of 1930.

The colony's motto, however, has been interpreted to read

[1] The general use of motor cars was authorised only in 1946.

[2] It is 700 miles from New York, 720 miles south of Halifax, and 800 miles north of the Bahamas, the nearest West Indian islands.

'Whatever the Fates decree', and the course so decreed has been, in spite of world-shattering events, one of exceptionally smooth weather, for when one basis of prosperity has proved only temporary another of equal or surpassing advantage seems to have been at hand to replace it. With the failure of agriculture, the tourist industry proved to be a bulwark for eighteen years or so. It grew from a modest 13,000 visitors in 1920 to 83,000 in 1938. The whole economy of the islands was orientated to this one lucrative source of revenue, and hotels, transportation, entertainments, and the satisfaction of the shopping needs of its visitors became an industry yielding a measure of prosperity to all beyond the dreams of most Bermudians.

The second World War shattered this trade and the prospect for the colony was bleak, but again the fates were kind. The United Kingdom established an Imperial Censorship headquarters staffed by nearly 2,000 persons who occupied two of the larger hotels rented by Britain for this purpose. The institution of a convoy assembly base for the trans-Atlantic crossing and the increased activity of the British dockyard played important parts in bolstering the colony's revenue and employment opportunities. The Bases Agreement with the United States in 1941 led to that country establishing an army-air force base at one end of the islands and a naval base at the other. This transfusion of 75 million dollars into Bermuda's economic life assured the war-time prosperity of the colony, and, since the bases are permanent as far as can now be foreseen, provided an additional foundation for the islands' future economy and social framework.

In the post-war years the almost unbroken prosperity of the last three decades has been maintained. The resumption of the tourist traffic, although on a much reduced scale compared to pre-war years, provides livelihood for thousands During 1948 tourist arrivals increased over the 1947 figure of 36,941, and the anticipated return to the tourist traffic of the Furness liner *Queen of Bermuda* in February will probably swell still further the number of visitors. Many hotels have been reconditioned and other developments carried out to cater for this promised expansion. Every effort is being made to restore this vital industry by advertising, by endeavouring to seize the opportunity offered by British restrictions on travel to hard currency areas, and by a subsidy to the Furness Bermuda line. While lack of shipping has until now undoubtedly had an adverse effect on the revival of the tourist trade, the continued high prices of travel and of hotels and merchandise in Bermuda will be a handicap on any spectacular expansion of the industry.

The prospect of American rearmament also naturally reacts

favourably on the maintenance of the U.S. air and naval bases. During the year 1947–48 no less than $7,200,000 (£1,800,000) was spent by military and civilian personnel at the Air Force base alone. The use of this base by the greatly increased trans-Atlantic air traffic has also contributed materially to the islands' prosperity.

The financial position of the colony is sound, in that governmental revenue exceeds expenditure, with a small reserve fund of approximately a quarter of a million pounds. The islanders treasure this financial independence, and no request has been made for help for any schemes from the Colonial Development Fund; indeed if the needs of much greater and more impoverished dependent areas are taken into consideration any such expenditure would be unjustified.

Full employment is the natural accompaniment of the general prosperity, and both savings and deposits at the two banks in the colony have increased considerably. There have been no bankruptcies for a long time, and probably the money market has never been easier than in these post-war years.

With such favourable economic conditions and a political system free from party differences, it might appear tendentious to speak of political, economic, and social problems, yet these are of sufficient gravity to need urgent attention, and all but the most near-sighted frankly acknowledge that the coming years will be probably the most critical in Bermuda's history. The fundamental cause of most of these problems can be found in a study of its population figures. In an area of twenty square miles there now live 35,500 people, increasing by some 500 annually[1]. This enormous density of 1,700 persons to the square mile, in islands deficient in natural resources and industries and with no available room for expansion, is the greatest single cause of the colony's problems, and, unless it can be alleviated, no solution of its other difficulties will be much more than a temporary palliative. Indeed, it is clear that had the colony not experienced such successive phases of good fortune, all the consequences of over-population would long ago have come crowding in, for statistics show a 75 per cent increase of population in the last twenty-five years. Owing to this persistent growth the colony's position is much more precarious than that of any West Indian colony to the south, where natural resources are greater and living standards decidedly lower, and where population pressure is less severe. The phenominal increase cannot continue indefinitely in such a small area without serious results, and the high illegitimate birth rate of 26 per cent (an aftermath and legacy of days of slavery) is only one

[1] This figure is increased by another 4,500 if military and naval personnel of the U K and U.S., and their families, are included.

aspect of the problem. There is little attraction in emigration when it would almost certainly have to be to regions of a lower standard of living. The continued prosperity, however, has resulted in this vital population problem being considered only whenever there is any hint of economic recession, for in recent years shortage of labour has been a greater problem than unemployment. Indeed in 1947 no less than 670 people were admitted to the colony to fill positions where suitable local inhabitants were not available.

The coloured members of the population, who now outnumber the white inhabitants by over 9,000, are descendants of negro slaves, with some twentieth-century immigrants from the West Indies, while the white population is derived from seventeenth-century colonists and later immigrants from England, Canada, and the U.S.A., together with a not unimportant Portuguese group from the Azores, who form the bulk of the labour force of the small agricultural industry still surviving.

The colony's peculiar economic foundations also give rise to other problems not greatly dissimilar from those obtaining in many other more complex economies elsewhere. The enormous increase of imports, compared with pre-war days, even allowing for a 20 per cent favourable exchange, can be gauged from these returns:

Value of Imports

1938	£1,906,688	1947	£5,264,495

Percentage of Imports from United Kingdom

1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
34	24	23	17	14	11	8	6	12	19

The serious decrease in the percentage of imports acquired from Britain results in a large dollar gap[1] which is met from the sterling dollar pool, for while expenditure in all forms by tourists in the colony contributes a welcome dollar revenue, it is insufficient to meet the cost of imports from dollar sources. Although steps have been taken to divert a larger share of the colony's purchases to the United Kingdom, this situation is still serious.

The great rise in the prices of these American imports is reflected in the cost of living, which is now twice that of 1939. As even before the war Bermuda was notorious for its high prices, the increase is all the more serious and accounts in part for the inflationary symptoms obtaining in the islands.

It will have been gathered that Bermuda's export trade is negligible, and while agricultural production in all forms probably

[1] $3,800,000 in 1947.

saves the colony about £500,000 annually in overseas purchases there is also a considerable importation of products which could be produced in the islands. Numerous attempts in the past twenty years have been made to revive the almost moribund agricultural industry. Undoubtedly much could be done towards supplying a greater proportion of the population's needs in vegetables, but the attraction of more remunerative and less laborious occupations has had the usual repercussions on agricultural production. Except in efforts to revive citrus fruit growing and the expansion of the lily bulb cultivation (helped by the elimination of Japanese competition), the contribution of agriculture is undoubtedly far less than it might be.

Further, the spate of private building activity, largely devoted to the construction of business buildings and tourist development projects, has led to high wages and shortage of materials for the construction of more modest homes, and the housing situation has become acute. To meet this a plan is now under way to channel labour and materials to provide for the construction of homes for families in the lower income groups.

In spite of these and other difficulties, continued prosperity is, to some extent, evident in the living conditions of all sections of the population, white and coloured, and this is probably one of the principal reasons why the political and social framework has survived so long There have been in the last two decades a few isolated voices pleading for reform of an outdated system which is heavily overbalanced in favour of its property-owners, and to a less extent of its white population. Throughout the thirties advice from the British Government to amend its financial basis, to extend the franchise, and to consider some needed social and labour legislation, advocated repeatedly in Governors' Speeches from the Throne, had little effect on a Legislature composed largely of those who would be most affected by any direct taxation, and who wished to maintain the privileged position of property owners as giving the greatest assurance of a responsible electorate. After many attempts, women were admitted to the restricted franchise in 1945, and in June last voted in their first General Election, two women being returned as Members of the House of Assembly.

The highly personal nature of the governmental system has prevented the rise of political parties, which to most Bermudians are anathema. It is only since the last War that an effective opposition group has crystallised. It is led by Dr E. F. Gordon, an immigrant from Trinidad, who has succeeded in rallying several thousands of followers to demand a redistribution of the spoils of Bermuda's continued prosperity. The nucleus of this opposition has been

organized into a Bermuda Workers' Association, which in 19[illegible] presented a petition to the Secretary of State for the Coloni[illegible] asking for a Royal Commission to be sent to investigate th[illegible] economic, political, and social conditions in the colony.

This petition declared its fundamental grievance to be tha[illegible] 'all political, economic, and social difficulties suffered by the inhabitants have their foundations in the fact that the franchise is extremely limited', and among the thirteen points there were requests for a form of direct taxation, free education, improvements in labour legislation, old age pensions, workmen's compensation, health insurance, free hospital treatment for needy cases, the extension of openings in Government service to coloured people, and the provision of more recreational facilities for the young and for the coloured community. The petition was made the subject of a British Government Command Paper which was sent to the Bermuda Legislature for its consideration and action. Never before had the Colonial Government legislators been forced to reconsider so abruptly the bases of their economic, political, and social life. The Assembly and Legislative Council appointed a Joint Select Committee to study the problems raised by the petition and White Paper, and in March last their Report was published. This was approved by both Houses in May. In the following month the new House of Assembly, elected in the intervening quinquennial General Election, endorsed the views of its predecessor and took the initial steps to follow up its recommendations.

Meanwhile, in May, the colony experienced its first serious strike when longshoremen of the Bermuda Industrial Union demanded higher wages and a closed shop. The driving force and effective direction of the Union was undoubtedly that of Dr Gordon, whose domination of the labour movement in the islands, sometimes in demagogic and almost irresponsible form, and at other times with justifiable reason, is the outstanding feature of post-war Bermudian politics.

Many, not sympathetic with all the demands advanced by radical elements in the colony, see a *prima facie* case for a Royal Commission to obtain an impartial view on the problems affecting the islands, which have undoubtedly stirred a widespread sense of grievance. The majority of the Legislators[1], however, believe sincerely that Bermuda's good fortune is the outcome of wise and conservative policies of the past, and that present difficulties are the creation of a 'West Indian agitator' who has found the ready ear of Britain's Labour Government. Their viewpoint is best

[1] Often identified as 'Front Street', denoting those who support the interests of the merchants of the colony's chief shopping centre.

summarized in a paragraph of the Report on the White Paper:

> Too much experimentation and change, brought about chiefly because of theories of Government which have been accepted elsewhere, may create more satisfactory theoretic standards, to the prejudice of the high standards of living and free way of life which the majority of us now enjoy.

This viewpoint is reflected throughout this Report, which is an exposition of the merits of the present system, conceding a few necessary changes not involving any vital interference with present conditions The franchise question is doubtless the most disputed matter, for the privilege of voting is based on a property qualification which restricts the total electorate to 4,119 voters out of a total population of 35,560. As plural voting, whereby some property owners have 2, 3, 4 or more votes, accounts for some 500 of these votes, it is estimated that only 14 per cent of the total adult population is entitled to the franchise. On this subject the Legislature declared that 'an early adoption of universal adult suffrage would be prejudicial to the best interests of Bermuda', and 'the high calibre of representation in the elective House would tend to deteriorate'. Paradoxically it appealed for more responsible self-government, while denying the enfranchisement on which such extended responsibility must presumably be based.

The greatest change in more liberal thought in recent years has been the growing awareness by many legislators that a fiscal system in which over 70 per cent of the total revenue is obtained by Customs duties needs drastic alteration[1]. There are many who still defend this system as the most equitable, and who point out that the tourist thereby contributes in the least obvious way. Yet it remains a fact that every one of the colony's inhabitants pays at least £20 annually in this form of taxation, and, as the main imports are food and clothing, those with the largest families and greatest consumption of goods shoulder the largest burdens, for with the exception of a few staples such as milk, rice, sugar, and tea, every item is taxed to a greater or less degree. In the last ten years Finance Committees have followed each other in suggesting income, inheritance, and property taxes as potential answers to the situation, but three over-riding deterrents each time have led to their ultimate rejection. These are the steady financial prosperity and disinclination to disturb the *status quo*, the reluctance to change a situation which so obviously benefits the legislators' and landowners' interests, and the fear that direct taxation would automatically pre-judge the franchise question. 'No taxation without representation' had an upsetting effect even so long ago as

[1] The total revenue for 1947 was £1,454,587, of which £1,111,915 were Customs duties.

1765. In this, as in the other issues raised by the White Paper, those anxious for change feel that the cautious recommendations for improvement made by the Legislators are insufficiently concrete to lead to a real hope of changes being made within a reasonable time.

Considered in retrospect, the situation in the colony is unusual. It is not the result of crushing poverty, economic depression, and like evils, but is rather the inevitable consequence of a centuries-old conservatism. It shows that prosperity alone does not keep a country problem-free. With wiser foresight in the past, many of the questions could probably have been solved before they became challenging, and even now, while fortune still smiles and before the difficulties become acute, courageous leadership could prevent the intrusion of conditions and developments alien to these 'Isles of Rest'.

G. J. B.

THE CHINESE COMMUNISTS AND THEIR PROGRAMME

NOTE.—*As is well known, it is extremely difficult to obtain first-hand information about the situation in Communist China. The following article is based on the author's own experience obtained in some of the areas in 1944, and on his subsequent study of broadcasts from the Communist area of China, and other sources.*—ED.

FOR the second time within this decade, the question of conditions in the Communist-controlled areas of China has become of vital importance to the outside world. On the first occasion, in the early 1940s, it was essential for the conduct of the Pacific War to find out how far the mysterious 'Reds', embattled both with the Japanese invaders and with their old Kuomintang opponents, could be counted upon to help keep war-weary China in the Allied fold. Today, the policies of Mao Tse-tung's Communists, and the resulting conditions in the ever larger parts of China they are bringing under their control, will not only determine the destiny of the most populous nation on earth but will also influence the course of events in Asia and to a large extent even the future balance of world power between the Western and Eastern camps.

It was only in the summer of 1944 that the National Government in Chungking, under constant American pressure, allowed groups of foreign correspondents and U.S. Army observers to pass through its tight military blockade lines to Yenan, the political hub of the scattered territories containing some 60 million people, which the Communists had already conquered behind and between the Japanese positions in North and Central China.

The surprisingly favourable answers of those eyewitnesses were virtually unanimous. Unlike the Kuomintang, the Communists were found to lead the people of their areas in an unexpectedly spirited and effective fight against the Japanese. Similarly, in contrast to the inaction of the National Government, the Communists evidently based their patriotic fight on widespread and radical reforms in the administrative, economic, and social fields. The vigorous political movement which inspired both the patriotic fight against Japan and the long overdue reforms of Chinese life was admittedly Marxist in its approach, and unashamedly Communist in its final goals; but it derived its astonishing strength among the world's most 'family-minded', if not also most individualistic, people from the primitive democratic features of its 'popular front' policies. Finally, there was no evidence at all that the Chinese Communists relied slavishly upon the direction, influence, or help of far-distant Moscow.

The Communists' political plans for the future were found to be based on the conviction that Chinese society would not soon be ripe for Communism or even Socialism, and that even a Communist-dominated Government, coming about either by way of a coalition or of continued civil war, would have to lead the country through a long period of peaceful transition from semi-feudalism to Socialism. Further, the Communists had to assume that, over a period of one or two generations, capitalistic enterprise would have to be encouraged side by side with State control of key industries and an all-pervading development of co-operatives in the spheres of farming and cottage-type manufacturing.

All recent information would seem to indicate that there have been no fundamental changes in the policies of the Communists during the years of all-out civil war, in spite of the territorial expansion far beyond their original area which followed the failure of General Marshall's attempt, in 1946, to bring about a coalition Government that was to embrace the Kuomintang, the Communists, the Democratic League, and other anti-Kuomintang forces.

Even where their political and economic methods had to be adapted to such new problems as the administration of large cities

and the newly radicalised attitude of the mass of the peasants against the landlords, the policies of the Communists still seem to fit plausibly into the previous pattern. It is true that relatively few first-hand reports have recently been available from neutral visitors; but whatever information of this kind has come through would seem to lend realistic colour to a good deal that is contained in the vast volume of Communist broadcasts—especially those made up of orders to troops, party organs, and administrations, and those consisting of semi-statistical progress reports from various regions.

The following attempt to draw a picture of current conditions in Northern China has, of course, relied in part on a critical selection of material from such broadcasts, but it should also be stressed that one must not altogether discount, as many observers did before 1944, the relatively favourable picture which thus emerges. It is clear that the Chinese Communists must now be less interested in exploiting their meagre broadcast facilities for propaganda at home and abroad than in using them as one of their few instruments for the enforcement of actual policies; and less in impressing the outside world than in strengthening their reputation for veracity among their own people, whose co-operation they need as much as ever.

Much care seems to be taken by the Communists to prevent mob rule. They must maintain order and quickly restore normal conditions as they occupy new areas. In rural districts the troops of the 'People's Liberation Army' are specially instructed not to interfere in disputes between farmers and landlords and not to confiscate food or clothing from them. On the contrary, they are told to give help in field work, tool repair, and in all possible other ways to the co-operative farmers' associations which seem to spring up everywhere.

Army units due to occupy a city are specially instructed to keep the strictest discipline in observing previous Communist promises to its people, and to foster, even among fearful and reluctant elements, an attitude of co-operation with the forces of 'liberation'. The ten promises given to the city of Loyang before it was occupied on 14 March 1948 are typical of the programmes to which the armies, their temporary military administrations, and the newly arriving Party organizers are being pledged. These promises were:

1. The democratic Government (to be organized in due course) will guarantee the safety of the people's lives and properties and their rights to freedom of speech, press, meetings, religion, etc.

2. Factories and businesses operated by private interests will be assured of protection if they register with the democratic Government

and obtain certificates giving the right to operate. However, businesses and factories owned by, or operated with, capital of the Big Four Families[1] will be seized by the democratic Government.

3. The existing severe taxes and levies, unlimited food exactions, and forced conscription shall be abolished; instead, a reasonable taxation policy will be established to ease the burdens and improve the living conditions of the people.

4. Working conditions of the labourers will be improved and employers will be guaranteed profits. Assistance will be given to unemployed labourers, refugees, and the poor.

5. No person is allowed to destroy or damage any warehouse, military supplies, public structures, or properties of Chiang Kai-shek. These shall be handled by the people's democratic Government. Civil employees in cultural, educational, sanitary, transportation, or public hospital departments will be retained provided they register with the democratic Government.

6. Full protection will be given to schools, cultural, and educational organizations, and assistance will be granted to youths who cannot afford to attend school, as well as to poor teachers Specialists and persons advanced in the cultural and educational fields are welcome to participate in the work of serving the people.

7. The wealth and property of foreigners will be protected; but they must obey the laws of the democratic Government.

8. Chiang Kai-shek's Special Agents' Bureau [i.e. Secret Police] will be dissolved Members of the Kuomintang, the San Min Chu I Youth Corps, and Chiang's officials must register with the democratic Government Those who upon investigation are found not to have been enemies of the people may be given employment if they are willing to serve the people

9. Chiang's soldiers hiding in the city should give themselves up. The People's Liberation Army, with a tolerant spirit, offers them the alternatives of serving in the People's Liberation Army or of returning to their homes. But if such soldiers persist in creating rumours, engaging in destructive activities, or creating disturbances, they will be hunted down and punished according to law. Anyone who keeps, destroys, or hides arms and explosives will be punished according to military law.

10. Dishonesty by Government officials will be punished according to law.

A year ago a Communist broadcast implied that some Army units in Manchuria had violated promises given to the people and announced a disciplinary movement among them, 'so that they will understand the ideas of Communism'. The report stressed these injunctions. 'An attitude of equality,' it said, 'must prevail in dealing with the masses of the people;' 'no individual is allowed to remove or use landlords' property without authorization;' and 'publicly owned property cannot be sold.' It may or may not be

[1] The families of Chiang Kai-shek, the Soongs, H. H. Kung, and the Chen brothers of the so-called C C Clique.

significant that no similar admission of lack of discipline among the troops has since been reported.

The 'democratic Governments'—from those on the village, borough, district, and county levels up to the five 'Liberated Area' administrations that were in existence in December 1948[1]—seem to be set up more or less in the same manner as during the time of the Sino-Japanese war. Elections apparently do take place, but they are, of course, organized by the Communist Party, which mobilizes all eligible political forces. These include its own membership, which has expanded from about one million in the Yenan days to over 3 million; 'non-party elements', who are encouraged to take a new interest in public affairs and participate in government; and whatever adherents of organized non-Communist, left-wing Kuomintang, or anti-Kuomintang groups such as the Democratic League that there may be in a given area.

In the resulting elected bodies, non-Communists still seem to outnumber members of the Communist Party. But 'parliamentary' controversy (often genuinely hot) apparently continues to concern the adaptation to local conditions of basic principles laid down by Party Headquarters, rather than those principles themselves; the methods of carrying out, rather than decisions for or against, fundamental lines of policy; and, finally, matters concerning the ability, efficiency, and honesty of personnel, the evaluation of popular attitudes, the assessment of results, and future potentialities of action. Yet individual administrations are still frequently reprimanded for following the 'line' slavishly, instead of adapting it in a practical and undogmatic manner to the circumstances of their localities.

An impression of the composition of a typical 'democratic Government' can be gained from the personnel of the Council of the new North China People's Government, which was proclaimed on 1 September 1948—'on the basis of a patriotic, democratic united front for striking down American imperalistic and Kuomintang reactionary rule in China'.

At the head of the Council is Tung Pi-wu, the sixty-three-year-old mustachioed former school-teacher who for a long time served as Mao Tse-tung's personal representative with Chiang Kai-shek in Chungking. During the hopeful period of coalition talks between the two camps he was one of China's delegates at the first United Nations session in San Francisco. A Communist since the inception of the Chinese Communist Party, Tung is also one of its most experienced secondary leaders; and most foreigners who have

[1] Manchuria, with 46 million people; North China, with 48 million; North-West China, with 7 million; Central Plains, with 30 million; and East China, with about 50 million people.

come into contact with him regard him as a moderate and practical man. His second-in-command is General Nieh Jung-chen, another veteran Communist. He studied engineering in France, was the main strategist and organizer of the Communists' wartime campaigns behind the Japanese lines in North China, and once earned even Chiang Kai-shek's praise for his distinguished record in the national war effort. Nieh, too, made a favourable impression on American army officers who during the last phase of the fight against Japan received from him efficient and valuable co-operation

Apart from these two party members, the Council of twenty-seven men and women includes another eight or nine Communists. Among the non-Communists there are six former professors, deans or presidents of private, Government, and missionary universities in erstwhile Kuomintang regions; a prominent member of the National Salvation League, which long opposed Chiang Kai-shek and later became part of the third political force in China, the Democratic League; three other Democratic League members; a veteran trade union leader; a physician who has long been organizing hospitals for the Communists; an industrial engineer; a former official of a power company; and a leader of the Chinese Moslem minority.

There is no indication, so far, that the Communists are suffering any serious political difficulties in the regions under their control Their war-tested reform and administrative policies, constantly checked and re-checked as to their applicability elsewhere, would seem to prove equally feasible wherever they are introduced in newly conquered regions. Little has become known in this respect about Manchuria; but elsewhere, their political problems were greatly eased through the flight of many landlords, merchants, money-lenders, Kuomintang officials, and former pro-Japanese collaborators before their oncoming armies. All apparently feared the wrath of an unleashed populace more than they did the régime the Communists are known to introduce. With these potential opponents of the new order out of the way before the Red armies arrived, the revolutionary changes in recently occupied areas seem to have been considerably less violent than they might normally have been.

Furthermore, it was greatly to the Communists' advantage that their own and Chiang Kai-shek's strategy has until recently permitted them to score much more heavily in terms of defeated and surrendering Government troops than by way of territorial expansion. They were thus allowed to consolidate much of their gains of the last two years without having to drain too many experienced administrators from old-established areas. They were

able to give administrative training, and apparently even some actual practice, to large numbers of party workers and army personnel, whose task it is to accompany the troops in their advance and then to stay behind in region after region to help local sympathisers everywhere organize the new order.

Land reform is still their first and foremost preoccupation wherever they go. Its method had definitely become more drastic during the last years of all-out civil war. When the Communists were fighting Japan, they told the land-hungry peasantry that any confiscation and redistribution of land would interfere with the patriotic war, since it would tempt many landlords to collaborate with the Japanese against the 'liberated areas'. Instead, they introduced a system of lowering land rents and interest on debts. That mild policy worked so well that Mao Tse-tung himself thought it possible to solve the age-old land tenure problem in this way all over the country, even after the Sino-Japanese war. 'Provided, of course, that victory over the national enemy will bring about a coalition Government and internal peace in China'. He qualified this hope in a conversation with the author in the autumn of 1944, 'for if the Kuomintang continues fighting us and setting landlords against our reform policies, the peasants will return to their old demand for ownership of the land they till and for equal shares in all the available soil'. This, evidently, is how the Communists came to drop their rent and interest reduction policy and to lay down the new 'line': all the land which landlords and 'rich peasants' cannot till themselves is to be confiscated and distributed among tenants, landless and land-poor peasants, according to the size of their families.

It seems that excesses against landlords and land-rich peasants have not been uncommon, for the Communist broadcasts often remind local administrations that the redistribution of land has to be carried out in a just and orderly manner; that landlords and 'rich' peasants must be given what land they need for themselves (unless the courts of the 'democratic Governments' have tried and convicted them as 'war criminals' for active participation in the civil war); that property other than agricultural land and cattle is not to be taken from them; that, once the land distribution is over, it must not be repeated; and that everyone, including former landlords and rich peasants, are to be given new title deeds which will make their property inviolate.

On the whole, the main emphasis of the Communists' pronouncements is on strengthening their military power (and evidently also their popular prestige) by stepping up production and fostering economic progress, rather than on political and ideological issues. This is the case in the old areas as well as in Man-

churia and other newly-occupied regions in North and Central China. Correct doing is stressed, rather than correct thinking; prosperity through productivity, rather than political conformity. For the Communists today are as thoroughly practical as they have been ever since they shook off the doctrinaire diseases of their political adolescence in the early 1930s, when they lost their small 'Soviet' areas in South Central China through popular opposition against un-Chinese methods of revolution as much as through Chiang Kai-shek's superior armed strength. As during the Sino-Japanese war, they still seem to be relying on policies that will bring about economic and social progress as the safest means of guaranteeing for themselves the continued co-operation of a people which is the world's past-master at the sabotage and eventual defeat of selfish and tyrannical leaders.

It would seem that the feverish efforts of the Communists in the economic field are already bearing considerable results. Their new order may some day surprise the world with its level of production in the richest as well as the poorest parts of the regions under their control, no matter whether the outside world may or may not help them with supplies of modern machinery and with the advice of expert opinion. If their manifold reports about recent economic progress are to be believed—and the Communists must be aware that their invitations to foreign business men to come and trade with them might soon lead to visits of such critical observers—Manchuria is by now well on the way to rehabilitation 'Power plants in liberated Manchuria are making giant efforts to meet the increasing demands of growing industries in this region which is now in the midst of a great production drive,' stated a broadcast last September, adding details about repairs to generators and transmission lines damaged in recent fighting. Mines in newly 'liberated' parts of Shantung are said to produce more coal now than they did under the Kuomintang. The coal mines of Northern Manchuria, after two years of repair work, are claimed to be producing at 1945 capacity, with an average output per worker claimed to be 66 per cent higher than during the last record year of Japanese rule. The number of iron manufacturing enterprises in Shichiachuang is said to have doubled since that important North China centre was occupied by the Communists. Newly-established cotton mills in North Manchuria during their first five months of operation are reported to have produced close to a million pounds of yarn, 30,000 bolts of cloth, and 60,000 blankets. The All-China Labour Congress at Harbin last August was told that nearly one-half of Manchuria's spinning industry, two-thirds of her power plants, and all her gold mines were in operation even before the Communists had taken Mukden,

Changchun, and the surrounding areas. The Harbin region claims to have witnessed the opening of some 3,000 small new workshops and 820 new retail shops. 'Private capital', including that of former landlords who switch to new activities, is said to be active everywhere in the development of new productive and trade enterprises. And it is claimed that newly occupied cities quickly resume, and soon exceed, their previous economic activities.

This year bumper crops in Manchuria are hoped to approach the goal of an increase of food production to the extent of one million tons over last year; and agricultural recovery in war-damaged areas, following the participation of troops in the field work, is said to be proceeding rapidly. Irrigation, reclamation, and dyke repair and building programmes would seem to be in progress in many areas, mainly by the application of Yenan's frequently described method of the farmers' voluntary 'mutual aid teams', which are also contributing to a primitive solution of the transport problem in the hinterland, especially during the farmers' quiet winter season.

The Heilungkiang Forest Bureau reports that the lumber industry during the first half of 1948 exceeded its production quota by 86,000 railway sleepers, and has, in general, achieved full recovery. Some 900 miles of railways in Manchuria, it is claimed, were repaired or rebuilt, and almost the entire railway system in the North-Eastern provinces is apparently in operation.

The Communist-controlled regions, of course, are not free from inflation, although it is not nearly as catastrophic as in the Kuomintang areas, where money has been falling more and more deeply in terms of the currencies of the various 'Liberated Areas'. What is more important, some of Yenan's old methods of restricting the harm normally caused by inflation are apparently applied with considerable success. Wages and salaries are usually paid in kind; producers of raw materials and manufacturers are encouraged to exchange their goods on a barter basis; taxes are levied in kind; and a new variety of 'stable-value' deposit accounts has recently been introduced, with grain, cloth, coal, or salt as the standard of calculating in-and-out-payments and interest. With all these makeshift arrangements, the Communists are avoiding the pitfalls of premature currency stabilization. They seem determined to postpone this eventual measure, which must not risk failure, until the end of the civil war assures them that the 'bad' money of the Kuomintang can no longer embarrass them by threatening to drive out their own better money.

It remains to be noted that the fervent educational drives which characterised the Yenan régime during the war have evidently been stepped up in every region and every field. The Communist

broadcasts boast record figures of school and college openings and attendance figures, and talk of achievements and even greater promises in teaching farmers, craftsmen, and factory workers crafts and methods tried out in Yenan and improved methods of production. They insist on the new enthusiasm for co-operative methods, inventiveness, and technical learning; on a spreading movement in the fight against illiteracy; on campaigns for cleanliness and hygiene; and on the rapidly increasing participation of women in production and in administrative, educational, and cultural activities.

To anyone who saw the Yenan 'border region' at work during the war against Japan, all this has the ring of plausibility and conveys the hope for fast recovery and considerable Chinese economic progress in the years to come. Similarly, to anyone who witnessed Yenan's eagerness for practical co-operation with the Allies in the common war against the Japanese, there is a promise in the strange-seeming slogan which the Communists painted on the wall of the U.S. Consulate General after the capture of Mukden: 'Fight American Imperialism—Remove American troops from China—Protect Foreign Property'. It is the promise that there can at least be normal commercial business between a Communist-dominated China and other countries, including the United States, if only they do not support the continuing military efforts of the Chiang Kai-shek régime which has definitely lost its chance of reforming and therefore of controlling China.

Sceptics, however, will want to wait and see until the clouds of the civil war lift and they can once more obtain a first-hand picture of 'Red China'. One thing, at any rate, seems certain: if and when the curtain rises again over the war-torn country, there will be no Soviet commissars directing the new régime. The leadership will be in the hands of Chinese Marxists whose sympathies with the Soviet position in world affairs and whose solidarity with the world-revolutionary aims of Communists everywhere will not impair their twenty-year-old patriotic self-reliance, nor their firm conviction—based on early experiments which failed—that Soviet methods are not suitable for China, and that not even their friends in the Kremlin, if they chose to try, must ever be allowed to interfere in Chinese ways of reforming their country.

It seems that, if anything can be predicted, it is that Chinese Communism will continue to practise its gradual, 'reformist' methods if it is left alone; but that it would have to become more 'radical' in both its domestic and its international policies if pressure were exerted on it from abroad by forces that misinterpret the basically Chinese character of the agrarian revolution.

G. S.

REGIONALISM IN ITALY

AN EXPERIMENT IN DECENTRALIZATION

THE idea of regionalism, or a division of the country into a number of 'Regioni' with a degree of administrative and legislative autonomy, has pervaded Italian political thinking ever since the fall of Fascism. Insistence on it has fluctuated according to the political climate, and has often been swamped by more immediate problems. It is now, however, an integral part of the new Italian Constitution; the four peripheral regions of Sicily, Sardinia, Trentino-Alto Adige, and the Val d'Aosta already have their own Statutes; and elections for a Regional Assembly, which took place as early as April 1947 in Sicily, were held in Trentino-Alto Adige on 28 November, and are planned to be held in Val d'Aosta on 24 April, in Sardinia on 8 May, and in the fifteen other Regions not later than 30 October 1949. It may therefore be of interest to examine this recent innovation in Italian political life.

The conception, as a matter of fact, is no new one. Cavour, one of the main authors of a united Italy, was himself a firm believer in decentralization, and it was at his instigation that, with the country's unification barely completed, Farini, and subsequently Minghetti, drafted schemes for regional government which foundered in 1861 as a result of opposition from those who regarded the Region as a potential stumbling-block to the consolidation of the Kingdom. Since that day the idea has remained somewhat in the background, though it has always had its supporters among those who hankered for a restitution of local autonomies and pointed to the immense differences of geographical and social conditions, customs, dialect, and even racial characteristics in the various regions of the peninsula.

The Fascist régime, with its tendency to over-centralize all Governmental machinery round a bureaucracy with its apex in Rome, emphasized by contrast the need for a self-sufficient local administration in the hands of local personnel who knew and could take into account the particular conditions of the district. Once Fascism fell and the anti-Fascist parties could make their voices heard, a demand for regional autonomy figured in the programme of each of the main parties, though the degree of insistence thereon varied, and Liberal and Right-wing opinion eventually adopted an attitude of definite opposition.

By the time the question of regional autonomy came to be discussed in framing the Constitution in 1946, the initial post-war enthusiasm for the scheme had died down, and party opinion on the subject had crystallized on fairly definite lines. The Christian

Democrats, headed by De Gasperi himself (who, as a native of Trento, has always been a firm advocate of regional autonomy), were strongly in its favour; so, too, were the Republicans, largely on historical grounds. Left-wing Socialists were almost as vociferous in opposition as the Liberals, largely, one suspects, out of opposition to the Christian Democrats, though they cited such arguments as the inadvisability of multiplying bureaucracies. The Communists, in this as in several other instances, adopted an opportunist attitude, and as time went on considerably modified their initial opposition; they claim that it was largely owing to their intervention that the Provincial principle was retained and that limitations were placed on the legislative powers of the Region.

The role to be allotted to regional autonomy proved one of the most contentious points in the framing of the Constitution,[1] and the Constituent Assembly spent nearly two months discussing the draft articles relating thereto. These articles in their final form bear the marks of attempts to reconcile varying shades of opinion. Article 5, among the 'Fundamental Principles' with which the Constitution opens, states:

> The Republic, one and indivisible, recognizes and promotes local autonomy, it gives effect to the widest administrative decentralization in the services which depend upon the State; it adjusts the principles and methods of its legislation to the requirements of autonomy and decentralization.

Articles 114 to 133 cover the provisions for local government in the Regions, Provinces, and Communes into which the country is divided. The Regions are described as autonomous bodies, and particular forms of autonomy are to be granted to the peripheral Regions of Sicily, Sardinia, Trentino-Alto Adige, and Val d'Aosta, each of which has its own special Statute (The Constitution also makes similar provision for a special Statute for Friuli-Venezia Giulia, which would presumably come into effect in the event of a readjustment of the Peace Treaty with regard to Venezia Giulia.) The legislative and administrative powers of the Regions extend over a wide field of local affairs, including urban and rural local police, public health, professional and technical instruction, public works of regional concern, communications, and agriculture and other matters related to the land. The Region has financial autonomy 'within the forms and limits established by the laws of the Republic, which co-ordinate this regional autonomy with the finances of the State, the Provinces, and the Communes.' It owns its own domain and patrimony, and can impose its own local taxation and retain the proceeds thereof, together with a quota of

[1] For an account of the new Italian Constitution, see *The World Today*, July 1948.

the taxes imposed on the Region by the Treasury. It cannot, however, levy import or export duties. The State may make special contributions to assist individual Regions.

The Regional machinery and organs consist of the Regional Council (to vary in size according to the population of the Region), the Giunta (or Executive Committee), and the President of the Giunta. The Regional Council exercises legislative powers, and may propose bills to the Chambers. Elections to the Regional Council are governed by the electoral law of the Republic, and no person may at the same time belong to a Regional Council and to either Chamber of Parliament. Provision is made for the eventual framing of a constitution for each Region, to be enacted by the Regional Council by an absolute majority of its members.

The Central Government's control over regional affairs is provided for in various ways. A Commissioner of the Government is appointed for each Region, who resides in the capital of the Region and co-ordinates State and Regional administrative functions. He must also approve the laws passed by the Regional Council, which must be framed within the limits of the State laws, and which can if necessary be sent back to the Regional Council for re-examination, and brought before the Constitutional Court if their legality is questioned, or before the Chambers in cases of conflicting interests. The Government also has power to dissolve the Regional Council in extreme cases, and to proclaim new elections.

The Statutes already granted to the four peripheral Regions follow these broad outlines, but differ in details according to the locality. For example, in the two bilingual Regions of Val d'Aosta and Trentino-Alto Adige the Statutes include provisions for equality of rights for all citizens to whatever language group they may belong, and for the safeguarding of cultural and (in the case of Trentino-Alto Adige) ethnical characteristics. Both these Regions, too, contain some of the most important hydro-electrical stations in Italy, and the respective Statutes contain provisions regarding concessions in all matters connected with 'public waters'. All the Statutes provide the machinery for eventual revisions.

These four Statutes were all passed by constitutional laws of 26 February 1948, and came into effect in March. In view of the very different problems arising in the four Regions involved, the position in each Region will be here examined briefly.

SICILY

Sicily was the first Region to be granted a degree of local autonomy. As a result of unsettled conditions and political ferment following on the fall of Fascism and the Allied landings in Sicily

in July 1943, the question of Sicilian separatism, always latent thrust itself upon the Royal Italian Government while it still controlled only the southern part of Italy. It was a major preoccupation of the Italian Government at this time to prevent the partial disintegration of the State, especially in view of the fact that the only available police power—the Allied forces—was outside Government control. It was therefore decided to adopt, in the cases of Sicily and Sardinia, the device of installing High Commissioners with plenary powers to exercise on the spot the executive function, and this was done through Royal Decree Laws of 27 January 1944 for Sicily and of 18 March 1944 for Sardinia. A Royal Decree Law of 15 May 1946 granted a Statute for Sicily,[1] and this Statute, unchanged, was converted into constitutional law at the same time as the Statutes for the other three peripheral Regions were granted, in February 1948. Elections for the Sicilian Regional Assembly were held on 20 April 1947, and, despite a definite swing to the Left, resulted in a coalition Government of a predominantly Christian Democrat character.

During the two and a half years' experience since the Sicilian Statute was granted problems have arisen which have an application for the question of regional autonomy as a whole. Three recent examples, for instance, demonstrate the difficulties of adjudging the division of powers between State and Region. In the course of the debate in the Camera on co-ordination of the Sicilian Statute with the Italian Constitution in January 1948 the question of amendments to the Statute arose. The Sicilian Deputies present were strongly in favour of retaining the Statute in its existing form (i.e. as drawn up in 1946), while De Gasperi, on the other hand, expressed his awareness of the need for readjustments, especially on the financial side. One of the Sicilian Deputies put forward a proposal that, while the existing Statute should become constitutional law, eventual modifications should be approved by means of an ordinary law by the National Parliament 'in agreement with the Sicilian Regional Assembly'. This seemed, however, to leave too much responsibility for the final decision with the Regional Assembly, and eventually another amendment, put forward by the Right-wing Socialist Deputy Persico, was passed, which provided that 'the modifications considered necessary by State or Region shall be approved, within two years from the entry into force of the present law, by the national Parliament with an ordinary law, *the Sicilian Regional Assembly having been heard*' (author's italics).

Repercussions of this incident in Sicily were twofold. The first was the immediate recourse by the Sicilian Government to the High Court newly instituted under Article 24 of the Statute, which

[1] Text in *Gazzetta Ufficiale*, 10 June 1946.

maintained that such an Article was in contradiction with Articles 116 and 138[1] of the Constitution. This plea was not accepted, and found little support among constitutional lawyers. The second and livelier reaction was in the Sicilian Assembly itself. Alessi, the Regional President, and the Regional Government were heavily criticised for accepting the Central Government's proposals, and on 21 February were defeated in a debate on the question. On this occasion the Right joined the Left and the whole debate was on a righteously indignant level against attempts to whittle away regional autonomy. However, on 9 March Alessi was re-elected with a coalition Government of Christian Democrats, Liberals, Uomoqualunquisti, Republicans, and Saragattiani, and it seems probable that the Right were at least as much concerned with entering the Government as they were with regional autonomy.

The next round went to the Region. The Sicilian Government in June passed a law concerning the issue of shares in the Region which was in direct contrast with a financial decree already passed by the Central Government. Recourse was had to the High Court by the Government on the grounds of incompatibility with the taxation regulations, which (apart from local taxation) are constitutionally the Central Government's preserve, but the question of industrial shares had not been specifically assigned to either the Central or the Regional Government, and the High Court ruled that when there is a lack of co-ordination between the Regional Statute and the Constitution of the Republic 'no exception can be taken to the wish of the Government and Parliament of Sicily to regulate the affair by means of an autonomous law'. This decision has naturally created a precedent that has dangerous potentialities for Central Government authority. It is to be expected that the Italian Government will make use of the above-mentioned powers to effect amendments to the Sicilian Statute within two years.

In the third instance of disputes between the Region and the Central Government, both political and constitutional issues were involved. A Communist Deputy to the Sicilian Regional Assembly, Gino Cortese, was arrested in August on a charge of attempted murder during disturbances which took place at Caltanissetta in December 1947, when a local headquarters of the Movimento Sociale Italiano (the party of Fascist revival) was ransacked and a Carabiniere officer manhandled. At once the question of legal immunity of Regional Deputies arose, and was strongly agitated by the Left. The official answer was that such immunity extended merely to opinions expressed and votes cast by Deputies in the Regional Chamber itself, and only national Deputies could claim

[1] These articles deal respectively with the constitutional character of the Statutes, and with amendments to the Constitution.

the privilege of requiring a mandate from the Assembly before a warrant could be issued against them. This seems to be a fair reading of the Statute, and one which was confirmed in a Circular issued by Grassi, the Minister of Justice, to the Procurators-General of the Courts of Appeal in July. Alessi does not appear, however, to have drawn the attention of the Regional Assembly to this point until after Cortese's arrest, despite the fact that the Regional Assembly had shortly after its inception appointed an internal commission to deal with just such questions, and authorization to proceed against Regional Deputies had in fact already three times been refused. The political character of the case introduced further complications, and the Left did not fail to suggest that the Regional President and Government were acting in conjunction with the Central Government in exercising discrimination against a political opponent. A similar interpretation was attributed by Left-wing politicians in Sicily to the circular issued to all Prefects by the Italian Minister of the Interior, Scelba, after the attempt on Togliatti, which insisted on stern measures against persons implicated in troubles during the general strike, and suggested that Chambers of Labour should be closed down where they had acted as centres of the disturbances.

These are three isolated instances of dispute, but they serve to show the type of issues over which friction between Regional and Central authorities can arise. In Sicily, of course, the situation is complicated by local factors many of which do not arise in other Regions. The experiment of regional autonomy is being worked out against a complex background of agrarian unrest, banditry, extreme poverty apart from the prosperous coastal centres, and a long heritage of resentment against the Rome Government for its neglect of Sicilian problems Public order, for the maintenance of which the Regional Government is, according to the Statute (Art. 31), responsible by means of the State police under Regional authority, constitutes a serious problem for both Regional and Central Governments. On the economic side, great hopes are placed on E.R P. aid. The Sicilian Government is asking that one-third of the total credit for Italy should be allocated to Sicily, and is busy drawing up schemes for water-supply, road-making, electrification, industrial development, and land reform, which, if they can be put into effect, should go a long way to alleviate the economic distress which lies at the bottom of many of the difficulties encountered by this first experiment in regional autonomy.

SARDINIA

The position in Sardinia can be treated very briefly. The demand for regional autonomy there has since the war been closely linked with the name of the well-known Sard Action

Party Deputy, Emilio Lussu. As stated earlier, a Government High Commissioner was set up in Sardinia early in 1944. When the Sicilian Statute was approved by the Consulta in May 1946, an amendment was also passed extending autonomy to Sardinia. A Regional Consulta was nominated the following July and included representatives of six parties. This Consulta drew up a draft Statute for Sardinia which was presented to the Constituent Assembly in May 1947 and was approved with some major modifications on 28-29 January 1948.[1]

This Statute contains some important individual points. For example, it envisages no Government Commissioner, but merely 'a Representative of the Government' who will 'superintend those administrative functions of State which are not delegated to the Region and co-ordinate them with those exercised by the Region' (Art. 48). As there will be no High Commissioner, laws passed by the Regional Council are to be sent direct to the Central Government for approval (not, as in other cases, through the medium of the High Commissioner). As to police powers, to which the Region laid claim in the original draft, Art. 49 states that 'The Government of the Republic can delegate to the Region the functions of safeguarding public order, which will be exercised by the President of the Regional Giunta, within the scope of directives fixed by the Government.' The financial clauses, which gave rise to a good deal of discussion and modification, also differ considerably from those of the other Statutes.

Transitional provision is made for the continuance in office of the High Commissioner until after the Regional elections. These, as at present planned, are to take place on 8 May.

TRENTINO-ALTO ADIGE (SOUTH TIROL)

Elections for the Regional Council have only just been held, on 28 November.[2] It is thus not possible to discuss the actual working of the Statute in this area, but attention may be drawn to some points in the post-war relations between the Region and the Central Government which may offer some hints as to the future.

The background of the situation in this Region is too well known to require elaboration here.[3] Under the Peace Treaty Italy retained the two Provinces of Trentino and Alto Adige,

[1] Text in *Gazzetta Ufficiale*, 9 March 1948

[2] In the result of these elections the Christian Democrats headed the poll, closely followed by the (also Catholic) Südtiroler Volkspartei, which polled very heavily in the German-speaking Province of Alto Adige. None of the other seven parties presenting themselves came anywhere near these two On the Regional Council, consisting of forty-six members, the Christian Democrats have seventeen seats and the Südtiroler Volkspartei thirteen.

[3] For an account of the position prior to the Peace Treaty, see 'The South Tirol and its Future', in *The World Today*, December 1945.

which together make up the South Tirol; and the special agreement relating thereto which was reached between Signor De Gasperi and Dr Gruber in Paris on 5 September 1946 was written into the Peace Treaty (Annex IV). Under this agreement Italy undertook to assure complete equality of rights and ethnical and cultural safeguards for the German-speaking inhabitants, and the zones were promised 'autonomous legislative and executive regional power,' provisions for which were to be drawn up in consultation with the local German-speaking elements. Among the other pledges given by the Italian Government was one guaranteeing the revision of the question of options for citizenship resulting from the 1939 Hitler-Mussolini agreements.

In the intervening period a good deal has been done to meet these requirements. Equality of language has been recognized, and schools for German-speaking children have been opened. The question of those who opted to go to Germany in the 1939 plebiscite has been settled by a Decree passed at the end of 1947[1] whereby both optants who then left South Tirol but now wish to return, and also persons who opted to go but never actually went, could apply for renewal of Italian citizenship. Applications had to be made before 5 May and the cases are then sifted, only former active Fascists and Nazis being excluded in principle.

The Statute for Trentino-Alto Adige was approved by the Constituent Assembly on 29 January 1948. It met with a good deal of criticism from some German-speaking elements of South Tirol, who on several occasions sent delegations to Rome, and whose chief mouthpiece, the Sudtiroler Volkspartei, complained that insufficient attention had been paid to their views in drafting the Statute Particular objection was taken to the combining of the larger, and predominantly Italian, Province of Trento with the predominantly German-speaking Alto Adige to form the Region The Statute has attempted to meet this objection by providing for separate, and relatively autonomous, administration for each of the two Provinces within the Region. There is to be a Regional Council and Giunta, as in the case of the other Statutes; the Council is elected for four years, and is to have its seat for two years in Trento and two in Bolzano. In the first two years the President of the Council is to be elected from the Italian-speaking group, in the second two years from the German-speaking. Equal citizenship rights for all language groups are guaranteed. The official language is to be Italian, but there are guarantees covering the use of German—for example, laws and decrees are to be published in both languages—and special provisions regarding German-language schools etc. in the German-speaking region.

[1] Text in *Gazzetta Ufficiale*, 5 February 1948.

It remains to be seen how this Statute will work out in practice. There is still much anti-Italian feeling among the Tirolese, partly as a heritage of Mussolini's drastically applied Italianization policy, partly as an expression of genuine and deeply-rooted feeling of ethnical kinship with Austria, and in particular with North Tirol. The South Tirol possesses in the Südtiroler Volkspartei a compact, diligent, and organized party, represented by three Deputies in the Italian Parliament, which will certainly watch over the interests of the German-speaking group who, even taking into account the optants who have left for good, still constitute over 60 per cent of the population of Alto Adige. There has been a considerable influx of Italians into the Province since 1945, and the Tirolese assert that the Italian authorities are trying to reduce the balance of the German-speaking majority by artificially maintaining Italians in employment there (e.g. by means of large official orders placed with the Lancia and other works in Bolzano). The new Regional Council will have to watch over these and other similar complaints. For example, a case in point where the Regional machinery could have been put into good use arose recently over the granting of a concession to Montecatini for the erection of a large hydro-electric plant in the Val Venosta, which it is said will involve the flooding of a large area just below Resia and the consequent dispossession of six hundred Tirolese families. Local opinion is saying that had the Regional Council already been functioning, it would have had the constitutional right to allow or refuse the concession, or at any rate to try to negotiate more favourable terms.

Deeply-rooted though the feeling for Austria is in South Tirol, the pull in that direction has obviously diminished since the war in view of the greater economic and political uncertainties which a northward orientation would involve. The Austrian Government, too, appears satisfied with the present settlement. If both the Central Government and the Region can between them make the Statute work successfully, it will probably be found that genuine regional autonomy will go a long way towards eradicating the political regionalism that still prevails.

VAL D'AOSTA

Regional autonomy here already has some years of experience behind it. The Italian Government were quick to counter the tentative attempts at separatist agitation which, with some French backing, arose immediately after the end of the war. On August 19, 1945, the Cabinet passed two decrees establishing a régime of autonomy for the Valley, on the basis of proposals drawn up by representatives of the Valley and of the Government, and this

régime has been in force, and functioning very successfully, ever since.[1] The Statute for the Val d'Aosta, approved by the Constituent Assembly on 30 January 1948,[2] gave definitive constitutional form to the régime. The main individual features of the Statute are the provision for constituting the Valley a Free Zone (Art. 14), the concession for 99 years of all local waters and mines (Arts. 7, 11), and the form of Government representation, which is effected here not through a Commissioner but by a Co-ordinating Commission presided over by an official of the Ministry of the Interior (Art. 45).

The Val d'Aosta has the most satisfactory record among the Regions, and as Regionalism has settled down into a working proposition here it may be worth while examining its operation in some detail. The Regional authorities are satisfied with their powers and have used them to show that the advocates of Regionalism in the past decades were correct when they claimed it as a cure for many administrative ills, and promised increased benefits for the people. This may be because the Government has, after the petering out of the separatist tendencies of May to July 1945, greater assurance that there is no real ill-feeling and that quite genuinely all are talking in terms of administrative Regionalism.

However, the two major problems which have arisen remain to be settled. They are those of finance and of the free Customs zone The claim to be exempt from the Italian Customs laws and to be a free zone is based upon the Valley's geographical position. It is allied to the claim to negotiate independently with France and Switzerland to facilitate the transit of persons across the Alpine passes in search of seasonal employment, which was the traditional practice before Mussolini No satisfactory agreement has been reached, though negotiations have been going on since December 1947. The stumbling block has been the part to be paid in lieu of Customs dues to the Exchequer. This is but one facet of the broader financial issue.

This latter problem is one that will have to be tackled in all attempts at Regionalism, and the difficulties that have arisen in the Val d'Aosta can serve to illustrate the problems that will later have to be faced elsewhere. The Valley has been allotted the patrimony of the old Province, and the State is to make up the deficit for two years on trial, after which a mixed commission will divide the normal taxation receipts between the State and the Valley. In addition, the Valley has requested the ownership, or at least the use, of water works and mines, using the double argu-

[1] For a full account of the granting of autonomy to the Val d'Aosta see *The World Today*, June 1946.

[2] Text in *Gazzetta Ufficiale*, 10 March 1948.

ment of necessity and past injustice, since both types of undertaking were conceded by the State in the last century to private companies without compensation to the Valley. The State has conceded to the Valley the annual tolls paid by the industrial societies, and the use for ninety-nine years of the waters not yet leased on concession. A regional patrimony is thus in the process of formation.

On the other hand, a great part of the receipts that should be due to the Valley are paid outside the Region and go instead to the State: great industrial concerns like the Cogne in Châtillon and the S.I.P. pay taxes in Milan or Turin, the seat of their registered offices. Contracts for hydro-electric concerns have been entered into, stipulating that the registration tax and the general industrial levy are also paid in these towns. The sum involved is therefore a considerable one. The Region is responsible for the expenses of schools, forests, administration, tourist and business chambers, local police, sanitation, civil engineering, and the National Park. From the confusion of figures offered it seems probable that these expenses should be about covered by normal receipts, if one includes the 300 million lire profit from the Casino at Saint Vincent as being normal. But expenses for constructive work are over and above this. Road construction and maintenance is a heavy burden in this Region in view of the severity of the winters: out of the seventy-three communes, thirty have no telephone, forty have no electric light, and only thirty-eight have passable roads. The Valley has 1,500 hectares of marshy or arid land to be reclaimed, 120 kilometres of irrigation canals to be constructed, and schools, hospitals, refuges, and tourist facilities to consider.

The problem of balancing between these conflicting demands will require the best will to find a mutually satisfactory agreement. The negotiations so far conducted between Aosta and Rome have been of a cordial nature, but while Rome is criticized for not having accurate information, the Valley, like all the Regions, tends to ignore the national functions of the Government and the conflicting calls made upon it. If the Government were to satisfy all the financial demands of Val d'Aosta it would inevitably be done at the expense of the other Regions. Since the Government has no threat to fear from this Region it will probably decide to take an impartial and reasonably cool attitude when the time comes.

The present structure of the Council here is peculiar, and is still based on the agreement made in 1945 between the five parties which had taken part in the Resistance, under which each party nominated five members to the Council. The first proper elections are to take place this spring, on April 24, following which it will

consist of thirty-five elected members. A cautious attitude has been adopted by the Council towards the exercise of its legislative rights, and very little of a controversial nature has arisen. Since it has been felt that the present taxation is quite burdensome enough, no new impositions have been made. It is here, however, that any major battle will be fought in the future. It may well be that this mildness on the part of the Council has influenced the Government to adopt a friendly attitude, but in addition it retains in the background a good deal of power. The Valley's efforts to secure the right to recruit the Public Security Guard did not succeed, and the police are still, therefore, effectively controlled from Rome. The Cogne works, which claim to employ 80 per cent of the industrial workers of the area, are State-owned, and are an economic lever of enormous importance if ever a conflict should arise between the Regional and Central Governments. But it seems improbable that the Central Government will use these powers while the Valley's administration maintains its present reasonable and balanced temper.

Thus regional autonomy has already been put into effect in the four peripheral Regions, and as far as they are concerned, despite initial transitional difficulties, there seems to be a general opinion that it has been a move to the good.

As regards the other fifteen Regions prospects are a good deal more uncertain. The principle of regional autonomy being now included in the Constitution, the obligation to hold regional elections during 1949 cannot be evaded, and it has, in fact, been announced that they are to take place not later than 30 October 1949. But many Italians are now feeling that the advantages of decentralization may be outweighed by the drawbacks of a multiplication of bureaucracies and administrative machinery. As the Provinces are being retained, the Provincial Council (*Deputazione Provinciale*) will presumably continue to exist in each Province, and so, of course, will the Communal Council—thus making, with the Regional Council, three bodies at different levels within the Region. It is also not yet clear what is to happen about the Prefects—though it seems likely that they will continue to exist side by side with the Government Commissioners but dealing purely with Provincial affairs. These and many other problems pertaining to the transfer of powers from the State to the Region and the delineation of respective spheres of competence (which require much more precise definition than is given in the Constitution) need to be threshed out in Parliament before the Regional elections take place.

B. C.

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NOTES OF THE MONTH

Norwegian Defence

THE dilemma facing the Norwegian Government in defence policy has been thrown into sharp relief during the last month. Three possible courses of action existed: a non-aggression pact with the Soviet Union, offered on 5 February by the Soviet Government; a neutral Scandinavian Pact; and an Atlantic Pact with the West. The Government's approach to these alternatives is dominated by two basic considerations—the determination to maintain their national independence and democratic institutions against all Soviet demands, and their conviction that Norway must seek outside support in the form of military equipment and military guarantees in case of attack. The Government has reached these conclusions as a result of their experiences in the last ten years. The last war proved that neutrality was not a guarantee of national safety in modern war, and the actions of the Soviet Union during the last three years have strengthened the determination of Norway to resist any of Moscow's demands. In this the Government has the support of most of the country; opposition comes only from the Communists, who are rapidly losing ground, and from a section, perhaps as much as a quarter, of the Labour Party, composed of fellow-travellers and convinced pacifists, who were however persuaded to withdraw their opposition at the Party Congress on 20 February.

It is probable therefore that the Government will reject the first alternative, a pact of non-aggression, since such a pact would run counter to all their recent policy statements. Indeed, the reply may have been sent before this note appears. There remain the other two alternatives: a Scandinavian Defence Pact or an Atlantic Pact.

The crucial test of both these defensive alliances is the provision of adequate military equipment and military guarantees in case of attack. Norway is anxious to maintain Scandinavian unity if at the same time she can obtain the necessary military support. The original Danish draft for a Scandinavian Defence Pact suggested a neutral

alliance and promise of mutual assistance in case of attack, together with the proposal that arms should be bought by Sweden, and provided from the United States on lend-lease terms to Norway and Denmark, to make up any deficiency in Swedish supplies to these two countries. But the United States made it clear while the inter-Scandinavian discussions were in progress in January that arms would not be available to any group outside the Atlantic Pact, primarily because the supply of arms was limited and priority must go to those countries within an Atlantic Pact. The talks broke down after this announcement, since the failure to get arms from the United States, in the Norwegian view, weakened the Scandinavian Pact too drastically. Unless, therefore, the United States changes its stand on this point, it is unlikely that the Scandinavian Pact would be acceptable to Norway.

The Norwegian Government is thus left with the third alternative: the Atlantic Pact. M. Lange, the Norwegian Foreign Minister, has just visited Washington to obtain assurances on three points: what military supplies Norway could expect if she joined the Pact; what guarantee of military assistance in case of attack would be forthcoming; and what obligations Norway would have to undertake in return. On the third point, Norway was determined to provide no military bases on Norwegian soil for foreign powers, as this would be certain to be regarded in Moscow as provocative. To this question alone, Norway received a clear and decisive answer no bases would be required, nor were they contemplated. But the United States Government was unable to answer the other two queries specifically The amount of military equipment available to Norway would be determined by the supplies available and by the number of participants with equal claims. The question of military guarantees has proved even more equivocal, since the Senate has made it clear that the decision to go to war must rest with it, and must not be written in clear terms into any treaty. As a result, it seems, at the time of writing, likely that the Norwegian Government will decide to wait until the Atlantic Pact has been drawn up by the seven drafting Powers in Washington, and take its final decision only when the terms of the Pact are made public However, the unanimous vote of the Norwegian Labour Party at its Congress, in favour of "a binding co-operation" with the Western democracies, makes it clear that the Government fully fully intends to join the Atlantic Pact when the time comes.

Western Germany and Allied Policy

The last few months have seen a speeding-up of the Constitution-making process and the ironing-out of party differences in Western Germany, but a hardening of the German attitude towards the

Occupying Powers. When the Constitution-makers first met at Bonn there was still considerable reluctance, notably on the part of some of the leaders of the Social Democratic Party, to accept responsibility for setting up and working a West German Government. It has been the representatives from Berlin, and not least Professor Reuter, the Oberburgermeister, who have urged despatch. At the same time, the spirit of resistance shown by the people of Western Berlin, made effective by the air-lift, has increased the prestige of the city in the eyes of Western Germany. Whereas to German politicians the setting up of a West German Government seemed to imply the acceptance of responsibility for the permanent division of Germany, the inclusion of Berlin as the twelfth *Land* would leave open the way to future unification. The leader of the Social Democratic Party in the Parliamentary Council, Professor Carlo Schmidt, has declared that the Allied Military Governments would make a political mistake of the worst kind if they refused to agree to the inclusion of the city. But according to Professor Reuter's report of his interview with the French Foreign Minister, the French now will at least give sympathetic consideration to a demand which they recognize in principle as reasonable, though they will not at present commit themselves.

The increased prestige of Berlin in the eyes of Western Germany and the demand for its inclusion in the West German federation have been interpreted as signs of increasing nationalist sentiment, and the attacks made on the Ruhr Statute when it was promulgated last December certainly showed that nationalism is still formidable. German protests did not come only from the extreme Right and the extreme Left. The leading member of the Social Democratic Party, for example, declared that the Statute disappointed German hopes and that its only fruits were likely to be the 'nationalism of a dog on a chain'. A prominent German Trade Union official said that he could find in it no implications of a European or international character. Max Reimann, the leader of the Communist Party in Western Germany, carrying out the Communist policy of fomenting German nationalism, described as quislings those German Ministers who accepted the Statute. As the result of this speech he was sentenced by the Allied Military authorities to three months' imprisonment and released in as many weeks. Moreover even moderate and well-disposed Germans have recently expressed great surprise at adverse British comment on the reception given in Germany to the Ruhr Statute.

It is not only that many Germans regard the internationalization of the Ruhr, unless coupled with a corresponding internationalization of Lorraine, the Saar, and parts of Belgium and Luxembourg, as an infringement of Germany's sovereign rights. It is openly

declared that the motive behind the economic policy adopted by the British Occupation authorities, and behind the Ruhr Statute in particular, is not so much a desire for security against German aggression as fear of German competition. These complaints, described as unfounded by the President of the Board of Trade in the House of Commons on 10 February, followed the British reaction to an announcement made by the Deputy-Director of the Joint Export-Import Agency that German exports will be increased as quickly as possible to a point where they can pay for the required volume of imports. There are other circumstances which influence the outlook of the average German. According to Dr Nolting, Minister of Economics for North Rhine-Westphalia, there are 294 steel works on the dismantling list, not all of which were directly concerned with the armaments industry. But the carrying out of this programme seems uncertain, for it was also reported in January that Mr Hoffmann, the E.C.A. adviser in Europe, had forwarded to the State Department the findings of an Industrial Advisory Committee. The Committee's Report includes a recommendation which, if it is accepted by the French and the British, will result in a revision of the dismantling programme and a consequent increase of German steel output by about 3 million tons per annum.

That there are good reasons for the attitude of the Occupying Powers, as well as justification for the Ruhr Statute, is beside the point. There are elements in Germany today ready to use every opportunity to stir up nationalist feeling and to make the most of every apparent inconsistency in Allied policy. Some of the more critical speeches of moderate German politicians, for example, may well reflect an anxiety lest Allied policy should unintentionally strengthen the hand of extremists. At the same time, when the Premiers of the West German *Lande*, together with Professor Reuter, the Oberbürgermeister of Berlin, and Herr Brauer, the Oberburgermeister of Hamburg, met in that city on 12 February, a more moderate attitude was adopted towards the Ruhr Statute, although the conference agreed a resolution declaring that the situation created by the Statute could only be transitory and must be transformed into a comprehensive European arrangement. Such an arrangement would be the most effective answer to German nationalist discontent.

The Mindszenty Trial

The sensational charges brought against the Cardinal-Primate of Hungary, and his own unexpected behaviour in Court, have tended to obscure the real issues involved. Cardinal Mindszenty may or may not have gone beyond the limits of strict discretion

when meeting Otto von Habsburg; he may or may not have sold the dollars given him by Hungarian Catholics in America for what he could get for them, instead of exchanging them in the National Bank at a pegged rate. But these are not the reasons why he is in prison today. He had to be put out of the way because he was the leader and the personification of the one remaining force in Hungary which was still putting up an organized resistance to the Cominform. Every social class capable of such opposition had already been destroyed in turn. Every political party had either been liquidated or reduced to a sham (the last remaining genuine Oppositional party, that of M. Barankovics, was wound up as soon as the trial ended). The entire apparatus of the State was in the hands of the Communist Party. The only institutions left claiming a rival voice at least in the spiritual life of the inhabitants of Hungary were the Churches, and their power had to be broken.

The Government, too, had its case. The evidence for the Cardinal's prosecution was not directly attacked by the Vatican. Moreover, the verdict was followed by a fresh offer to negotiate with the Catholic Church. And the Government has not so far in any way interfered with the free practice, nor with the free teaching, of religion. The agreements which it has concluded with all the other Churches in Hungary, except the Roman Catholic, allowed them terms such as Church leaders in most countries could regard as reasonable. It is probably true that many genuine Catholics in Hungary would have been relieved if their own Church had accepted a similar compromise Mindszenty certainly carried his opposition to the régime into the realm of politics, taking up, in consequence, a position which no Government could easily tolerate. He himself would—at least before his collapse in Court—not have denied this; he would have said that it was his clear duty. He would even have maintained that it was both the right and the duty of a Catholic priest to seek to overthrow a régime pledged to dialectic materialism in favour of one traditionally associated with the faithful support of the Catholic Church. Finally, he might have admitted that some of the Government's compromise proposals were in themselves reasonable. But he would have pointed out that one force in Hungary after another—the example of the Social Democrat Party is particularly striking—had accepted one reasonable compromise after another, and found in the end that it had been digging its own grave. Reasonable compromise cannot endure when concluded with a force which is itself fundamentally uncompromising. It has been a clash of two spiritual incompatibles, won, for the moment, by physical means by that party which disposed of the physical force.

EAST-WEST TRADE IN EUROPE

ECONOMIC ADVANTAGES AND POLITICAL DRAWBACKS

BOTH the protagonists and the opponents of trade between Western and Eastern Europe are generally so preoccupied with its political aspects that they tend to overlook the economic facts. The facts, indeed, are so contradictory as to include in the same month the signature of the Anglo-Polish trade agreement, hailed as the most important yet between any two countries on different sides of the Iron Curtain, and the setting up of an Eastern European Council for Mutual Economic Aid on the grounds that the West is boycotting the East. But these events can be set in proper perspective by an analysis of the commerce between the countries of Western and Eastern Europe, its technique, its extent, its reasons, and its implications in the economic, strategic, and political fields.

Any such analysis must be prefaced by a brief survey of trade inside the Eastern area. In the first flush of Communist enthusiasm after the war, there may have been thoughts of integrating the national economies of Eastern Europe into a self-sufficient unit with the backing of the U.S.S.R. Actually the economies of all these countries were basically alike, and they therefore had little to offer to each other Their mutual trade before the war had been of no great importance to any one of them, and the exchange of goods between all of them and Russia had been negligible. A comparison between the situation then and now shows that integration has indeed been proceeding apace, but of self-sufficiency there is little sign. More than 60 per cent of Poland's trade in 1948 was carried on with countries outside the Soviet orbit. The Czech Five-Year Plan, inaugurated at the beginning of 1949, is based on the assumption that 55 per cent of all exports will go westwards. Yugoslavia, even before the Tito-Cominform break, conducted 47 per cent of her external commerce with non-Communist nations.

The entire trade inside the Eastern bloc has hitherto been arranged on the basis of bilateral agreements. It seems quite likely that the limit of exchanges which can be balanced bilaterally has been reached, and that the setting up of the Council for Mutual Economic Aid is primarily intended to promote the expansion of trade by multilateral arrangements inside the Eastern bloc, similar to those which O.E.E.C. is making in the West. The mere desire to have something which can be held up as better than O.E.E.C., the Marshall Plan, and any possible Truman Plan taken together has undoubtedly contributed to the creation of this

'Comintrade'. Its birthday manifesto has, however, been very much less aggressive than that of its elder 'Cominform' brother. It gives the impression that the Communists are willing and even anxious to continue their trade with the West, which has made good progress in the last two years, despite the deep-seated political differences.

EAST-WEST TRADE AGREEMENTS

The most important East-West trade agreement concluded in recent months is that signed between Britain and Poland in Warsaw on 14 January 1949. It covers a period of five years with an anticipated turnover of £260 million both ways. The treaty makes Britain Poland's principal customer, but it is by no means unique, as the Poles have trade agreements with every country in Europe except Spain, Portugal, and Greece. One of these agreements, entered into with Sweden in 1947, is equal in duration and almost equal in importance to that with Britain. Its main attraction for the Poles is a long-term Swedish credit, far in excess of the £6 million revolving credit granted by Britain. Poland's main export to Sweden and to most other Western European countries is coal from Silesia, but Britain will be receiving mainly timber, bacon, eggs, and other high-grade foods. The Poles have announced that they intend to adapt their agricultural and timber production to the requirements of the British market, a policy made feasible by the five-year validity of the agreement, which also allows the conclusion of contracts for capital equipment with British manufacturers, despite the long deliveries which have hitherto been a major obstacle.

Poland's commercial relations with the West are much closer than those of the U.S.S.R., although the Russians seem to have abandoned their isolationist trade policy of the inter-war years. Since 1946 the Soviet Union has concluded voluminous trade agreements not only with its satellites, but also with a number of Western countries. Sweden is in the lead with a treaty signed in 1946 which grants the Soviet Union a fifteen years' credit for nearly £70 million. Among more recent agreements, that with Italy is notable not only for its settlement of reparations, but also for a feature hitherto found only in Russian trade agreements with other Communist countries, the supply by Russia of raw materials for the manufacture of finished products which go back to Russia. Britain concluded a one-year agreement with the U.S.S.R. in December 1947 under which she has since received 750,000 tons of coarse grains, but negotiations for a long-term agreement have dragged on since last May without leading to the expected result. The Soviets complain that, having supplied Britain with goods to

the value of some £23 million, they were unable to place contr
for more than £3 million of the British timber-cutting a
electrical equipment specified in the agreement. The difficult
were, however, largely due to the very stiff contract conditions (
which the Russians insist. In any case, the Soviet Union has bee
able to buy here machinery and other industrial goods costing £1
million. In addition, the U.S.S.R. has spent £23 million on wool
rubber, cocoa beans, and other sterling area raw materials. The
Soviet Union has thus been able to make good use of all the
sterling accrued to it under the trade agreement, and has in fact
spent considerable sums in excess. These obviously come from the
Soviet gold and dollar reserves, which are thought to be large
enough to finance Russian raw material purchases in the world
market for some time to come. Hence the Russians can afford to
argue that they need not bother greatly about trade agreements
with the West unless they can be assured of getting exactly what
they want in the way of industrial equipment.

Another manifestation of the strong Russian foreign currency position can be seen in the loan of an undisclosed amount of gold and dollars made to Czechoslovakia in December 1948. The purpose of the loan is to enable Czechoslovakia to buy raw materials, for which her own foreign exchange resources are no longer adequate. Most of the essential intermediate products, such as wood pulp, steel, and textile yarns, which the West would like to buy from the Czechs are now earmarked for Russia. The Soviet Union also absorbs an increasing proportion of the consumer goods turned out by the Czech light industries. These are scheduled only for a modest expansion, while the heavy industries producing capital equipment are to reach three times their present level by 1953, undoubtedly with the object of reducing dependence on the West. The upshot of these policies has been a marked decline of Czechoslovakia's exports westward. Thus the favourable balances with Switzerland and Sweden changed to deficits, and shipments to the U.K. declined by 42 per cent between October 1947 and October 1948. Nevertheless in the same month Britain maintained her lead as Czechoslovakia's principal supplier, owing to raw material purchases, financed then out of Czech reserves, and now out of the Russian loan. As neither will last for ever, it is not surprising that the Czechs should lately have made overtures for the negotiation of a trade agreement with Britain. As the economic structure of the two countries is basically similar, commercial relations cannot be based on the exchange of machinery and raw materials against food. The Czechs have therefore suggested that their consumer goods should be sold on the world market through the intermediary of British exporters.

Although Hungary, too, is a fairly highly industrialized country she has a surplus of food which she sells to the West for raw materials. Britain has no commercial agreement with Hungary, but trade is proceeding satisfactorily on the basis of a three-year payments agreement and annual import and export quotas last fixed in April 1948. During the first ten months of 1948 purchases from Britain accounted for over one-seventh of all Hungarian imports. Austria and Switzerland are running neck to neck for second place amongst Hungary's Western European trading partners, and there are also trade agreements with the Scandinavian and Benelux countries as well as Italy.

The remaining members of the Eastern European Council for Mutual Economic Aid are Rumania and Bulgaria. The latter has little of interest to offer to the West, although some business is being done with Switzerland, Holland, and Italy. Rumania could be a more promising trading partner. She has grain and timber surpluses, but owing to her behaviour over the Western oil interests and other matters, such as a shipping incident with Sweden, trade has in fact remained on a very limited scale, though there are considerable contacts with Italy and also Switzerland, which even gave the Rumanians a credit.

Yugoslavia and Albania are not included in the 'Comintrade'. The reasons are obvious—the economic insignificance and inaccessibility of Albania, and the political tension with Yugoslavia. The founders of the 'Comintrade' did, however, announce that other countries could join. The Yugoslavs, in reply, said that they were prepared to co-operate on terms of equality, but have since been told by M. Molotov that this was not possible until they renounced their hostile policy towards the Cominform countries. In any case, the 'Comintrade' manifesto did nothing to allay Tito's fears that the other Eastern European countries want to retard Yugoslavia's industrial development so that she should remain a convenient source of staple food and mineral products—a complaint to which a piquant note is added by the Albanians, who in their turn make it against Tito. Whatever the truth in either of these two grievances, there can be little doubt that from the outset ambition had got the better of realism in the Yugoslav five-year plan of reconstruction. Hence the long delays with which Yugoslavia fulfilled her delivery promises to the other Communist countries. So long as they were willing to treat delays with the indulgence due to a fellow believer, there was a sporting chance that the plan might be fulfilled, but after the Tito-Cominform break commercial considerations against large-scale commitments with Yugoslavia were reinforced, instead of being held in check by the political alignment. Thus Russia cut her proposed 1949 turnover with Yugo-

slavia to one-eighth of that in 1948, and Poland cut hers to one quarter. Hungary took the welcome opportunity of cutting down her reparations deliveries, and the Rumanians suddenly discovered that they were not interested in trading with Tito. The South Slavs being what they are, adversity is the best incentive. With that characteristic blend of half-courageous, half-melancholy stubbornness, they got down in earnest to expanding their commerce with the West. In December 1948, after nearly three years' haggling, they concluded a £30 million short-term agreement with Britain, in which the two Governments, *inter alia*, undertook to enter at an early date into negotiations for a long-term commercial treaty. Three months earlier Tito had already made a five-year agreement with Switzerland, which, next to Britain, is Yugoslavia's most important Western trading partner. Yugoslavia has also long-term treaties with Sweden and Italy, and annual arrangements of some importance with France, Holland, Belgium, Austria, and Norway.

TECHNIQUE AND EXTENT OF EAST-WEST TRADE

While the general pattern of commercial relations which has emerged between Eastern and Western Europe is not so very different from that prevailing before 1939, a complete change has taken place in the channels and methods by which this trade is conducted The State in all Communist countries has a virtual export and import monopoly. It is exercised through trading agencies or corporations, which are organized on more or less commercial lines, and usually deal with a specific product or group of products Their activities are co-ordinated and very strictly controlled by the Ministries of Commerce, so as to fit them into the respective national plans. A difficulty in East-West trade inevitably arises from the absence of equally complete controls in Western Europe, where the authorities can only encourage manufacturers to export to Eastern Europe, but cannot make them do so if they do not like the price, the terms, or, for that matter, the political complexion of their prospective clients. On the other hand, the very rigidity of the Communist system makes trading with the satellites easier than it was before the war. Once a contract is signed, there is now a welcome absence of the constant bickering, occasional defaults, and frequent repudiations which made pre-war business with Eastern Europe such a hazardous affair.

The other change is fundamental—the elimination of German predominance in commerce with Eastern Europe. Although Germany is already beginning to regain some of her export markets in other parts of the world, her prospects in Eastern Europe are very poor indeed. Nothing could be more objection-

able to the Poles, the Czechs, and the Yugoslavs than the resumption of large scale dealings likely to contribute to the resuscitation of Germany. Moreover, they have now found a market for their exports in Western Europe, where they were unable to compete with overseas suppliers in pre-war days when price alone was the criterion and considerations of soft and hard currency did not enter into the matter. Having soft currencies helps the East to sell its products, but at the same time it hinders multilateral trade, and largely confines the volume of business to whatever can be balanced between each pair of countries. This is one of the main problems before the trade committee of the United Nations Economic Commission for Europe (E.C.E.) which assembled in Geneva last month. For a body composed of both Marshall and Molotov countries this organization has a comparatively successful record. At its meeting in September 1948 E.C.E. worked out a scheme, since approved in principle by the World Bank, whereby the Western European countries will underwrite a loan enabling the Eastern countries to buy machinery for their timber industries. This loan will be repaid in due course with the foreign exchange proceeds of their increased timber exports.

If this scheme succeeds, then Western Europe will by the end of 1950 receive timber imports roughly equivalent to those of 1938, while in 1947 only half the pre-war imports were obtained. In general, East-West trade in 1947 reached less than 40 per cent of the pre-war volume and accounted for only 7 per cent of Western Europe's total external commerce. The 1948 figures show that commercial exchanges between Eastern and Western Europe have now reached two-thirds of their 1938 volume, but this is still nowhere near the target at which the O.E.E.C. four-year plan aims, optimistically enough, for 1952–3. By that year the Western countries assume that they will obtain approximately 17 per cent of their total imports from Eastern Europe, and they plan to send there approximately 19 per cent of their exports. At that level, European East-West trade would be somewhere near its pre-war volume

The estimate for Britain's trade with Eastern Europe does not, however, foresee an increase up to the full pre-war level. In 1938 trade with Eastern Europe accounted for 8.3 per cent of the U.K.'s external trade. In 1946 it was only 2.95 per cent, but by the first half of 1948 it had risen to 3.43 per cent. This works out at £120 million per annum. The objective set for 1952–3 is £230 million, or nearly double.

In Britain's total external trade Eastern Europe accounts for a considerably smaller percentage than it does in the trade of other Western European countries. Yet Britain is by far the most

important Western trading partner of Eastern Europe. Sweden and Switzerland follow at some distance, although they both enjoy great advantages. They are more willing than Britain to grant credits, their trading connections were never completely interrupted by the war, and they are regarded as 'harmless reactionaries' worthy of preference over 'exploiting imperialists'. Next come Denmark, Belgium-Luxembourg, Holland, Italy, and France, in that order. Lately Austria is also regaining some of the important share she held in Eastern European trade before the war. The U.S.A. plays no great role in Eastern Europe's commerce because there are very few exports to America and consequently very few dollars, but even more so because the Americans, for political reasons, frown on trade with Communist countries.

REASONS FOR EAST-WEST TRADE

The present international situation is obviously not conducive to European East-West trade. If this trade is nevertheless being expanded, the reasons can only be economic, and they must be strong enough to override political considerations in the minds of the trading partners and their Russian or American backers. It is fairly easy to see why this is so for the East. In each country industrialization and improved methods of agriculture are the first priorities and indeed the basis of all plans for national reconstruction. These ambitious schemes involve a demand for capital goods which the heavy industry of Eastern Europe could not hope to meet for many years to come, even if the Russians made a very much greater contribution than they appear to be doing at present. In the light of the achievements of the U.S.S.R. during the inter-war years with very little outside assistance, it is arguable that the Eastern European satellities might be able to do the same, and that their Governments certainly have the will and the power to do it, no matter what sacrifices it would involve for their peoples. But to be able to draw on the resources of the West makes all the difference between a reasonably speedy reconstruction and a decade or more of heart- and back-breaking drudgery.

While the causes for the desire of the 'Comintrade' countries to deal with the West are purely economic, Yugoslavia also has political reasons. For Tito commerce with the West is a means of maintaining his independence in the East. The Yugoslavs rightly stress that expansion of trade with the West has been forced upon them by the attitude of the East, and that it ill behoves the Cominformists to accuse Yugoslavia when they themselves are doing business with the West on an even larger scale—with the blessing of the Russians.

What has induced the Russians to give this blessing? There is

no doubt that they could have prevented a revival of East-West trade had they wished to do so. Their occupation of Eastern Europe in the final stages of the war, the rise to power of the Communist parties everywhere, the reparation liabilities of Hungary, Rumania, and Bulgaria, and the poor communications with the West led in the immediate post-war period to a sudden boom in trade between Russia and the rest of Eastern Europe. For a time it looked as if the Soviet Union would take the place of Germany in the commerce of Eastern Europe, but soon the fundamental differences became clear. Germany had used Eastern Europe as a source of food to be paid for, if at all, by the dumping of the almost proverbial mouth-organs. The Russians could grow enough food at home Viewed from Germany, Eastern Europe was an industrially backward area In Russian eyes the factories of Warsaw and Lodz, the newly gained 'little Ruhr' of Silesia, the industries of Bohemia and Moravia, and the engineering plants of Budapest were assets worthy of great attention and development. The Nazis were not concerned to bring the 'inferior Slavs' round to their political creed. They were only interested in them as a cheap and abundant source of labour. Not so the Russians, whose supreme object is the spread of Communism. In contrast to the Germans—and a very favourable contrast it is in the eyes of Eastern Europe—the Russians therefore decided that it was in their best economic and ideological interest to develop the industries of the satellites, to enable them to draw the surplus population off the land, to raise the standard of living, and thus to make Communism more palatable. But it was soon found to be out of the question for the Soviet Union to meet the consequent demand for capital equipment and raw materials from its own resources, and the satellites were encouraged to fill their requirements by trading with the West.

There are very good reasons why Western Europe proved ready to develop this trade. Its economic future depends very largely on its ability to obtain essential imports from other than dollar sources, and on its success in exporting large quantities of manufactured goods, particularly engineering products. Here is the Western case for trading with the Eastern bloc, but there is also the subsidiary point that compensation for nationalized Western assets in Eastern Europe can only be obtained by linking it with new trade agreements, a principle which has been successfully applied by Britain in common with most other E.R.P. countries.

Western Europe's need for non-dollar supplies from across the Iron Curtain can best be illustrated as follows.

If in 1947 it had been possible to obtain from Eastern Europe as much as in 1938, the Western European imports from the New

World could have been reduced by about one quarter. It is virtually impossible to see how pre-war food standards in Western Europe can be restored without a steady and expanding flow of imports from the East. It is almost equally difficult to see how Western production targets are to be reached without Polish coal. Again, a really substantial increase in timber supplies, with an assurance of regular shipments for years to come, can make all the difference to housing and construction programmes. From the other side, Western Europe's most important staple export for the future—heavy machinery—can hardly be sold in America, but Eastern Europe will be a market for it long after the demand from most other areas will have ebbed away. In recognition of all these facts, the British 1949–53 Plan submitted to O.E.E.C. expressly states that the estimates for achieving a balance of payments assume a reasonable amount of East-West trade within Europe on commercial lines. Similar assumptions have been made by all other E.R P. countries in their plans, so much so that the total supplies they would wish to obtain from Eastern Europe look like being appreciably larger than those available.

This reliance of the E.R.P. countries on trade with the Eastern bloc confronts the U.S.A. with a baffling dilemma. The Americans themselves severely restrict their exports to Eastern Europe so as to exclude anything likely to be of strategic value. This policy has been written into the Foreign Assistance Act by means of a clause which directs the Marshall Aid Administrator

> to refuse delivery, in so far as practicable, to participating countries of commodities which go into the production of any commodity for delivery to any non-participating European country which would be refused export licences to those countries by the U.S. in the interests of national security.

This proviso gives the Americans an important say on East-West trade in Europe, but the operative words in the clause are 'in so far as practicable'. Both Mr Hoffman and Mr Harriman have repeatedly stated that the maintenance and expansion of commerce between Western and Eastern Europe is necessary for the success of E.R P. The U.S.A. is thus almost compelled to regard this trade in very much the same light as the U.S.S.R —an unwelcome but unavoidable condition for the economic recovery of their respective groups of associates in Europe.

THE FUTURE

To state the case for East-West trade in these terms is at once to raise the question whether it will last beyond the next few years into a period when wider economic, strategic, and political considerations may prevail over the needs of the moment. It is

ometimes argued that the Eastern European reconstruction plans, vith their emphasis on industrialization and their comparative ieglect of agriculture, will aggravate the world shortage of food. If his were so, it would clearly be a mistake for the West to assist in his process. But one of the objects of Eastern industrialization is to rovide the machinery, fertilizers, communications, and con- umer goods incentives needed for a highly mechanized agri- ultural system based on collective farming. This would tend to icrease, not lessen, the yield of agriculture, but it may still be sked whether the West is right in allocating to the East a pro- ortion of its output of capital equipment which is at present in emand in virtually every corner of the globe. Will its supply to he East give the best and quickest return in terms of increased ood production, or would it be better to concentrate the limited esources of capital equipment on the development of Africa or outh-East Asia?

Behind this question there lurks the instinctive doubt of the isdom of a policy which, whatever its short-term advantages, is kely to strengthen a potential enemy. Can we afford to build up ie economic and consequently the military power of nations who iake so little secret of their hostility towards us? The supplies to ie East which have a direct military application may be negligible, ut those who protested so vigorously about the shipment of a ozen or so jet engines to the U.S.S.R. nevertheless put their nger on a very delicate and fundamental point. Russia and her itellites have the will and the power to reach their economic bjectives unaided, but are we not, at our peril, helping them to do o in a much shorter space of time?

Yet after all is said, it might be a mistake to sever the only emaining links across the barrier which divides Europe. Would e not thereby move one step nearer to the very danger against hich we wish to guard? It is the aim of the Russians to impose olation, but the West, despite all disappointments, still professes s faith in the idea of One World. It is easy to overestimate the olitical significance of trade agreements between Eastern and Vestern Europe, but in the international situation of today it is a elief to find that agreement can be reached between East and West n anything at all. There has always been a strong school of iought in favour of the functional approach to world politics. iewed from that angle, it might be possible to look upon the resent welter of bilateral agreements between nations on differ- nt sides of Europe as the forerunner to a wider understanding on conomic matters of common interest and benefit to both groups. ne might even say that the machinery for such an understanding xists in the O.E.E.C. on the one hand and the Council for Mutual

Economic Aid on the other, with members of both sides working together in comparative harmony on the United Nations Economic Commission for Europe. Perhaps this development is too much to expect, but it is an approach which might lift East-West trade in Europe beyond the level of an immediate economic necessity and endow it with a ray of hope for the future.

N. K.

MEXICO

A SPANISH-INDIAN CULTURE IN A MODERN SETTING

FOREIGN observers in Mexico, visiting the Republic at the same time, and witnessing the same events, often arrive at contrasting conclusions. So rapid are economic progress and decline that it is often hard to tell which prevails. It is at least beyond dispute that the present decade has been one of change and development. Yet beside this dynamic modern Mexico there still exists and thrives the old order of pre-Columbian times. It is interesting and important to estimate how far modern development and ancient social tradition correspond with the needs and opportunities of Mexico in the modern world.

Mexico can grow commercially almost every known crop, tropical or temperate. Like her Central American neighbours, she has a flying start from nature; unlike them, she has a territory of vast extent. These gifts are significant in a world whose population is calculated to be outrunning the available supplies of food. The very diversity of her soils, altitude, and climate have played up to the Mexican character, noted for independence of spirit. Unlike her neighbours in Central America, and indeed unlike so many colonial territories in the tropics, Mexico is not dependent for her prosperity upon the success of one or two major crops. Her multi-crop agricultural pattern means that she can supply herself with a varied diet, and in normal times need import no foodstuffs. Can we expect a major contribution to world food supplies to be forthcoming from Mexico, after she has fed her own people?

It is widely and inaccurately said that Mexico's problem is a land problem. There is in fact no shortage of land; but there is a shortage of capital necessary for land development, and the population is in consequence badly distributed. Much of southern Mexico has hitherto been regarded as too unhealthy for large-scale colonization; yet with adequate capital this difficulty could be

overcome. Much of central and northern Mexico is too dry to carry crops without irrigation. In both areas the population is very sparse. Indeed the total population of the Republic, which is in the neighbourhood of 22 million, is hardly sufficient to permit of expansion in agriculture upon a really large scale. But the shortage of manpower is not likely to be a permanent limitation. The population has increased very rapidly during the past twenty years, and with the advent of modern tropical medicine it may be expected to do so still faster. Calculations about the future agricultural productivity of Mexico envisaging large-scale development are not therefore purely theoretical.

With modern methods of tropical hygiene, the building of communications, and the dredging of rivers, it is calculated that the hot and damp regions of Mexico could multiply their agricultural production about five times. With large-scale irrigation schemes and the application of improved methods of culture the produce of the arid regions could be multiplied thrice. But even if in time the labour for such schemes becomes available, they will remain theoretical projects unless very large amounts of capital are also forthcoming. We are in fact brought back once more to the now familiar proposition, that mankind can have more food if prepared to pay an increased price to obtain it. The easily accessible and easily cultivated lands of Mexico have in great part been exploited already; indeed in some cases exploitation has been carried to the point of exhaustion. The more difficult lands remain.

It would, however, be an error to suppose that a high degree of detailed planning is required if any further development is to occur. The Pan-American Highway provides a good example of the manner in which spontaneous development follows good communications. The Highway was driven through much virgin bush country in north-eastern Mexico. It is now interesting to see agricultural development springing up in a hundred suitable localities along the route. The lesson of the Highway has not been lost upon the Mexican Government; and both the last and the present administrations have given first priority to road building, while the present Government has begun a project designed to open up the southern portion of the state of Veracruz to more effective cultivation and colonization.

Apart from the cultivation of new lands, much can be done to improve existing farming methods in Mexico. The system of shifting cultivation which is the rule in much of the hot country employs but a small proportion of the cultivated land, while the remainder is resting from previous exploitation. Conservative methods of agriculture, and the extended use of tree crops, could certainly increase the yield of the existing communities, and such

methods are gaining ground, though very slowly. In the upland plain country, and particularly in rich agricultural districts such as Bajio, one notices that mechanization has increased considerably since the end of the war period, and that modern farm machinery is available in most large country towns. But over the vastly greater territories where peasant agriculture is still the rule, little if any progress has been made since the rudimentary improvements introduced by the Spanish missionaries. Not only is the use of fertilizers neglected even upon comparatively advanced holdings, but soil erosion is playing a disastrous part, especially upon the mountain slopes and in the light volcanic soils of the plain country.

Of all of these shortcomings the Mexican Government is fully and painfully aware Both by legislation and by the training of farm students attempts are being made to preserve the wealth of the soil and to restore what has been lost But the resources at the disposal of the Government are small compared with the gigantic scale of the problem. Similarly, in the sphere of forestry, Mexico has an admirable Forest Code, and during the past two decades strenuous efforts have been made to secure a proper management of the national forest resources, but the difficulty is one of enforcement, and the Forest Administration has to be content with achieving a small proportion of what is desirable. Nevertheless, there still remain in Mexico tremendous resources of unexploited timber, particularly in the inaccessible regions of the south. These resources, moreover, are of such a nature as to respond particularly well to modern methods of exploitation, which aim at utilizing a high percentage of tropical species which were formerly disregarded for commercial purposes

In the field of animal and plant pests, Mexico provides what must be a unique example of a deeply tropical country teeming with such unwelcome enemies of the farmer, yet closely linked by communications with a highly organized temperate agricultural nation. From tropical Mexico great trunk roads, main line railways, and a large volume of air traffic run directly up to the United States. The danger of transferring insect and other plagues from the Mexican to the American farmer is always a real one. The Mexican and United States Governments have set up joint machinery in an endeavour to prevent the transfer of such pests from one region to another, and their success or failure in doing this may well have lessons for Britain in the future development of Africa. An attempt has been made to isolate foot and mouth disease in southern Mexico by the establishment of a sanitary cordon running from coast to coast across the central portion of the Republic. The writer and his party when driving in the State of San Luis Potosi were disinfected five times in the course of an afternoon to prevent

carriage of germs upon the shoes or by means of the vehicle in which they were travelling. But it has proved impossible to convince the Indian farmer of the need to destroy diseased cattle, and indeed in some states it has been the Agricultural Inspectors who have suffered the fate which they had prescribed for the beasts. It is therefore doubtful how much success can be achieved beyond the isolation of the disease.

There also now exist a number of control points upon the main highways where plant matter is removed from passengers for destruction, to prevent the carriage of noxious insects. So conscientiously is this work carried out that the writer thus lost a number of botanical specimens destined for the Natural History Museum! Here too, as in the field of agricultural methods, the Government is well aware of the problem; the difficulty is how to solve it within the confines of a vast territory, and with a modest Budget.

In fact all advanced methods of agriculture in the tropics cost money; and if the Mexican agricultural economy is to expand, large sums of capital have to be found. Indeed, the same observation is true of Mexican industry as well. Generally speaking, the Cardenas reforms of the nineteen-thirties were an attack upon large accumulations of capital, particularly of land. But these reforms, far from being socialistic in their origin or general tendency, aimed rather at a wide distribution of land-owning amongst the peasantry. They were a traditionally Mexican reaction against the Spanish system of the hacienda. But whatever the merits of the reforms may have been from a political point of view, there is no doubt that on the economic side their effect was to destroy the main surplus-producing units, the large farms, and to substitute for them subsistence units which produced little if any surplus. The attempt made here and there to remedy this state of affairs by establishing large-scale collective experiments has not been very successful.

Such a result was perhaps inevitable. The Indian, who, like a mediaeval king, 'lives of his own', has little reason to produce a surplus and therefore little use for cash. If, therefore, farming is to increase its surplus-production, some other form of organization will have to be found. Thus arises the difficult choice which Mexicans have to make, between the kind of life which they prefer and that other variety which is more remunerative.

From an Anglo-Saxon point of view the proposition of the foreign capitalist is eminently reasonable. 'Permit me,' he says, 'to operate in your country with my capital, under conditions satisfactory to myself, and I will enrich both your country and mine. But it is precisely the conditions of security and freedom of operation which the foreign capitalist needs, that Mexicans are deter-

mined not to grant. The reasons for this reluctance are not far to seek.

The well-worn political arguments against foreign exploitation in Latin America are known and accepted by both parties. But it is the underlying characteristic of the Mexican mind that gives these arguments their real force. The ordinary citizen in Mexico is little interested in the creation of national wealth. He is far more interested in living his life in his own way, and he is possessed of a spiritual pride which material advantages cannot purchase. He has in fact relatively much less desire for wealth than we have.

A typical Mexican community has always been self-sufficient. The village, or group of villages, fed itself, built its own houses, wove its own cloth, made its own pottery, and provided elementary public services on a communal basis. Indeed the family itself was, and often still is, quite easily able to perform most of these tasks through one or other members of the household. Such societies, in which cash plays but little part, still exist all over Mexico to-day; indeed the Spanish system of the hacienda, with paid cultivators, never encompassed more than a proportion of country dwellers. On the contrary, the whole basis of the conquest was one of fusion; fusion both of cultures and of races. And in the course of time the Indian race and culture have proved to be the stronger, and have carried along with them many economic habits. There has in fact been a synthesis of ancient Mexico and Spain, which has emerged with Mexico predominating, and we are now confronted with a Mexican nation, rather than a Spanish civilization with Indian trimmings. Even socially, the superior status of the Spaniard has rapidly diminished, and outside of a very small and now not very important circle there is no racial prejudice or even self-consciousness in Mexico.

This re-emergence of the Indian character of the nation has had a profound effect upon the position and use of money. It is not a first consideration today, except in the cities and towns where livelihood depends upon its possession. Indeed the modern Mexican grown rich is conspicuously inept at using his wealth, and is consequently laughed at by his fellow-countrymen. After the radio comes the icebox; then an ornate new house as uncomfortable as it is expensive; and finally a Cadillac. Beyond the Cadillac, the imagination boggles. Meanwhile the family, thus expensively equipped, still lives the spiritual existence of ancient Mexico.

Against this background, the offer of foreign capital for the creation of large agricultural and industrial units is not very tempting, outside of the circle of politicians and business men. Particularly is this the case if it brings with it foreign personnel and foreign methods. It would be an error to suppose that Mexicans

gard Anglo-Saxondom, and particularly the United States, as ore civilized than themselves. In their eyes the American is cerinly very efficient, and technically his powers seem almost iraculous. Yet he often manages to be learned without being ıltivated, and after all his technical triumphs he has not the cret of happiness. Moreover, Mexico in herself may enjoy onomic security. She can produce all the necessities of life and any luxuries. But if her economy becomes more closely linked ıth an export programme, she will become the more dependent ›on the economic wisdom of foreign powers. At present it is diffiılt to convince the Mexican that the peoples of Europe, for ample, have much to teach Latin America upon the subject of ısdom and stability. Such being the price of foreign aid, it seems ›ubtful whether the capital for really large-scale agricultural ;velopment in Mexico is likely to be forthcoming.

In industry considerable progress has been made during the ıst five years. During the war, American economists and inıstrial concerns offered to Mexico one of those easy roads to ealth which have so often been pointed out by foreigners, but hich have all proved false trails. This time it was 'industrializa›n'. By increasing her secondary manufactures, and some imary industries, Mexico was to raise the standard of living of ;r people. But it was forgotten that the amounts of capital forthming were limited, and that such projects as transport, irrigation, ıd power supplies, which were basic to a general expansion of the onomy, ought to have priority. Until Mexico could feed herself ith a comfortable margin there was little point in industrializa›n. Nevertheless, industrial expansion has brought benefits. he new factories which are a conspicuous feature of Monterrey, [exico, and many other towns now at least provide goods which the present currency shortage could not be obtained abroad, 'en if their very existence is in part the cause of that shortage.

There are other 'easy roads to wealth'. The tourist industry is ›pularly supposed in Mexico to be a potential gold mine. Indeed figures in the national balance sheet as the second best export. reat efforts are therefore made by the Government to provide the siting American with a pleasant and interesting holiday. But it a melancholy fact that the average tourist is ill equipped either appreciate what he sees, or to understand the temperament and ıstoms of the people, whenever they depart in the slightest ;gree from the practice of Main Street. That is not to disparage e admirable work done in Mexico by a fairly numerous band of merican scholars, scientists, and true lovers of Mexican culture. ut, in the observation of the writer, the large scale tourist traffic sults in frayed tempers and a lowered estimation upon both sides.

More promising for international amity is the really vigorous and interesting intellectual development of modern Mexico. In the arts, a truly remarkable school of painters has arisen, whose work is deeply rooted in national tradition, virile and free from mannerism. It is unfortunate that currency restrictions prevent the work of Orozco, Tamayo, and other contemporary Mexican painters from being seen in this country. It is particularly satisfactory that modern Mexican art is essentially popular; a visit to any current exhibition of paintings is sufficient to prove that they are studied and admired by the masses. Indeed, a modern painter of merit is something of a popular hero, particularly if he happens to be a good pistol shot as well. Much poetry is being written, some of it of merit. In the sciences, work of real distinction is being performed in several fields. The demand for books is everywhere evident; the Universities are full and flourishing, and there is a popular desire for education which is manifest upon every side. The Government has done much to meet this demand by an ambitious programme of school building, but the recruiting of teachers continues to be a difficult problem. There has also been an official attack upon illiteracy, including a successful 'each one teach one' scheme. In fact it is usual to read in cinemas, 'If your companion cannot read this notice, his place is not here but at school'. Underlying this almost feverish activity, there is a marked and very welcome increase in sense of civic duty; this is also noticeable amongst Government officials. This development is all the more welcome as it was certainly very necessary.

To conclude, the most striking fact about Mexico as she faces the problems of our times is her individuality. The Spanish and the many Indian cultures have achieved a synthesis, and the result is a nation which resembles no other Latin American State, but which has a strong character peculiarly its own. The fusion of races and cultures into a Mexican nationality has similarly produced highly distinctive political traditions. No political term can be used synonymously for Britain and for Mexico; the British outlook upon material things is radically different, and comparisons do no honour to either side. But in the ardent love of liberty, and in a growing sense of national purpose, we can recognize qualities which we like to attribute to ourselves. If we admit that, at least in the economic field, the heart's desire of Mexico very little resembles our own system of quotas and targets, we may perhaps avoid falling into the error of judging her success in terms of calories and graphs. If, however, happiness can be got by achieving a just estimation of things spiritual and things material, then Mexico is well equipped to face the future.

P. S.

UNESCO IN 1948
AN IMPARTIAL ASSESSMENT

THERE has lately been an increasing scepticism about the work of Unesco. Some unfortunate and well-advertised episodes have implied that more is wrong with its affairs than the normal difficulties of a new, cosmopolitan, and far-flung organization. The decision to hold the recent annual Conference at Beirut seems to have given a rather disproportionate annoyance to journalists in London and Paris, while allegations of waste and incompetence have been made in the popular press.

Plainly there is no smoke without fire, but the achievements of Unesco and its actual cost to this country deserve a more impartial assessment than they have lately been given.

In the first place, the Organization has increased considerably. From a membership of thirty-two States in 1947 it grew during 1948 to forty-four, and several more are on the point of completing the formalities that will make them full members. This achievement is no doubt in part the result of a policy deliberately designed to 'show the Unesco flag'; to prove that Paris is not uninterested in the problems of South America or the Dominican Republic, and that the Far East and the Near East are very much the concern of the intellectual West. And herein perhaps, lies the answer to those who criticized the holding of the 1948 Conference in Beirut. In this connection it should be borne in mind that those who originated Unesco, recognizing how easily the Organization might become parochialized by its location, an instrument of 'regional nationalism' rather than of world unity, included in its Constitution an ambitious ruling that the annual conference should be held every year in the territory of a fresh Member State. Within ten years, it was hoped, not only would the Organization have thus made itself known in every corner of the world, but it would have given the Secretariat, and the delegates of the world's nations, a broader understanding of national and regional cultures and problems than could be obtained in any other way. Moreover, had the movement (based, apparently, on fear of possibly disturbed conditions in the Lebanon) to change the Mexico decision succeeded in deflecting the Conference to Paris or elsewhere, serious affront would have been given not merely to the Lebanon but to the whole Arab world, already smarting from the Palestinian developments and with centres of religious and racial conservatism ready to seize upon any justification for a wider campaign. Against this background the argument that the Conference should be held only where journalists are thick on the

ground is seen in its proper perspective. Indeed, in November 1946, when Unesco held its first General Conference in that Mecca of journalists, Paris, it was noteworthy how little space was given to it in English newspapers.

The decision taken at Beirut to hold only a small Conference in 1949, and that in Paris, is based on other and sounder reasons than those of critics in the press. Serious interruption in Unesco's work is involved in the physical planning of each Conference and in the movement of the principal officers and all the necessary equipment as frequently as once a year. Moreover, in the absence of its senior members the work of the Secretariat is held up. But this violation of the Constitution, however sound the reason, needs to be accepted with reluctance, lest the vision of world citizenship apparent in 1945, at the end of the world's greatest conflict, be gradually dissipated by 'realist' considerations.

In its indirect effect upon other aspects of world politics Unesco must be given further credit. Its work has at least not exacerbated differences between Eastern and Western Europe. Its meetings have not been, as *The Times* described those of the United Nations Assembly in Paris, 'a megaphone for rival propaganda'. Despite the inevitable intrusion of different viewpoints there have been no serious divisions. Indeed, the Director-General was able to report that everywhere he went on his official visit to Yugoslavia, Hungary, Poland, and Czechoslovakia he found no barriers between him and his academic colleagues, and 'in general a great willingness to exchange information with other countries and to co-operate in Unesco projects'. Moreover he was impressed with the efforts being made in the cultural, scientific, and educational fields, not only in reconstruction, but also in new ventures and achievements So it may be that Unesco, as an international body, may succeed where occupying Powers are failing and Iron Curtains inhibit free intercourse. Certainly an extension of its work both in Germany and in Japan is to be desired. Unesco has already, in 1948, done good work in maintaining cultural interchange between Eastern and Western Europe. This might open up greater possibilities if and when reduction of political tension between the U.S.A. and the U.S.S.R. permits.

The four countries of Eastern Europe which belong to Unesco have certainly gained from their association with the Organization. Along with Greece, China, and the Philippines, they have received books, scientific apparatus, film projectors, and radio receivers, some purchased with Unesco's funds, but mainly subscribed for by other nations through the Temporary International Committee for Educational Reconstruction set up by Unesco in 1946. The contribution made by Canada in 1948 to educational reconstruction in

war-damaged countries should be specially mentioned. Of $1 million raised, $300,000 have been allocated to supplies for primary and secondary schools and $182,000 to fellowships enabling teachers and students to follow six-month study courses in Canada.

In Britain, of the £500,000 raised by the United Nations appeal for children, £60,000 has been allocated to Unesco for educational reconstruction. Part of the money will be used to provide twenty-seven fellowships for scholars from Austria, Czechoslovakia, Greece, Hungary, Italy, Malta, and Poland to study school educational problems, and the remainder will be spent in Britain in purchasing school equipment and books for the recipient countries. As the result of pressure by a group of Members of Parliament, the British delegation to the United Nations in Paris succeeded in having the U.N. Appeal for Children continued in 1949 throughout the world.

Tribute should here be paid to the Commission for International Education Reconstruction in the U.S.A., which raised $62 million in 1946, $88 million in 1947, and over $80 million in 1948. In addition the leading association of teachers in the U.S.A. (and teachers in the U.S.A. are economically at a greater disadvantage than those in Great Britain) have raised in 1948 over $300,000 for teacher-relief in devastated countries—a fine example of professional solidarity. Such large sums could not have been raised without Unesco's work in making the needs known, and, particularly in the U.S A., considerable use has been made of the pamphlets 'Going to School in Devastated Countries' and 'Universities in Need'.

The provision of such information to the world's publicists was carried much further by Unesco in 1948 by its Mass Media Production Unit, which had the advantage of some months' help from Mr W. E. Williams, well known for his work with A.B.C.A. during the war. Fruits of this work in radio, press, and perhaps films, are due to appear in 1949. The Mass Media Production Unit is but one of a considerable number of enterprises coming under the heading of Communications. Most of these consist of an unspectacular tying together of loose international strands of scientific and professional groupings, ranging from folklore to philosophy in one direction and from library linkages to documentary film exchange in the other. More impressive, perhaps, is the survey of the technical needs of sixteen countries, including Austria, Hungary, and Italy in Europe, and Burma, India, Pakistan, and Malaya in the Far East. The importance of such information for enabling the technically advanced nations to plan their production is obvious, and so, too, is the contribution which can be made to

the world's food shortages as a result of such help. Ten war-devastated countries in Europe, together with China and the Philippines, were surveyed in this way in 1947.

The Book Coupon scheme which will soon be widely known in this country is also a considerable Unesco achievement. It has involved complicated currency arrangements and will enable $150,000 worth of books on education, science, and culture to be obtained from 'hard' currency areas by institutions in countries with a soft currency.

The scientific section has continued to supply help in the 'Dark Areas', particularly knowledge which will reduce physical suffering and improve agriculture. The organs which perform this task are the four Field Service Co-operation Offices, two in Asia, one in Cairo, and one in South America. Until lately this last has been mainly concerned with the International Institute of the Hylean Amazon organized at Manaos, Brazil. It is to be regretted that although Great Britain has territory in the area to be served by this international survey and research institute, yet the United Kingdom sent only an observer to the organizing conference in May, and was not included in the list of members. After the end of 1948 the expenses of the Institute are to be borne by the eight founder members, which, it may be noted, include both France and Holland, Italy was also represented at the conference.

Meanwhile the greater part of the work of the scientific section has lain in the promotion of an increasing network of international affiliations between scientists of every kind. Where new linkages were needed, or old ones required development which they were unable to achieve alone, Unesco has given help, not necessarily financial. International congresses and conferences on an increasing scale have, during 1948, played a great part not merely in giving thousands of scientists the opportunity of sharing ideas and making friends with their co-researchers from across the world, but they have also, as always, thrown into high relief the ideas of the leaders of thought, with the consequent raising of the standards of the whole group. This applies particularly, perhaps, to the International Congress of Mental Health held in London, to which Unesco had contributed in several ways, not least in financing the journeys of psychologists from war-devastated countries. The recognition by that Congress of the need to study more widely and intensively those qualities of the human mind which contribute to the production of war atmosphere will make its report one of considerable significance. This enterprise connects with Unesco's section dealing with the Human Sciences and with its study, still proceeding vigorously, of the tensions which contribute to war. Unesco's work in this field is, however, grievously limited by the

shortage of psychologists, sociologists, social anthropologists, and others expert in the human sciences, not only in the smaller countries, but in many of those to which the world looks for leadership. In Britain, as Lord Simon of Wythenshawe has pointed out, the total expenditure on all the social sciences in 1947 was less than £150,000—less than one four-hundredth of the amount being spent on research for the Forces.

Other international conferences assisted by Unesco were the International Librarians' Summer School in Manchester and the conference of the International Council of Museums in Paris. The International Conference of Universities at Utrecht, where it was decided forthwith to form an International Universities Bureau, was held under the sole auspices of Unesco; so, too, were the three Seminars which had been authorized in Mexico in December 1947. That on 'Teaching about the United Nations' was held near New York, that on 'Childhood Education' in Podebrady, Czechoslovakia; and that on the 'Education and Training of Teachers', at Ashridge College, Bucks.

The Seminar in the U.S.A. produced over twenty-five booklets, study guides, film strips, and so on; that in Czechoslovakia, under the leadership of Professor Skard of Norway, had the assistance of Professor Ruth Benedict, one of the leading figures of contemporary anthropology. That at Ashridge, directed by Professor Karl Bigelow, was the largest, and can probably be regarded as the best, of all Unesco's workshops up to date. The Ashridge Seminar has had its sequel, for a ten-day resident follow-up course for lecturers in Training Colleges is to be held there in April 1949.

None the less, formidable difficulties were encountered in arranging these Seminars. The decision to hold them was made in December 1947 in Mexico, so all returning delegations knew that their countries would be invited to send representatives. On 4 February 1948 a preliminary announcement was sent to all Member States giving dates and naming the area where the Seminars would be sited. A formal letter giving full details, and explaining that only travel costs would have to be paid by the Member States, was sent out on 19 March, together with outlines of the ways in which each Seminar would be conducted. The allocated quota of participants from each Member State was given, and the announcement was made that 'if no indication of participation is given by 1 April' (later extended to 1 May), 'unfilled quotas will be divided among such other States as request them'. On 22 April guidance for the advance preparation of all participants was dispatched and it was requested that they should come prepared to provide precise information about their country's treatment of the questions to be discussed.

Yet by 1 May only eleven of the forty-one Member States had replied, and several Member States, despite cabled reminders, never responded to their invitations. Moreover, even those Member States that did send representatives were mostly so late in selecting them that they had been able to carry out little, if any, preparation. Though by the morning of the opening names of forty-five participants had been received (from twenty-two Member States) only thirty-two had arrived. Seven more came within a week and eight others eventually appeared. In view of such experiences it has been decided that in general Unesco will plan Seminars two years ahead instead of one, but it does not follow that the action of the majority of Member States will be much more effective.

It is, in fact, generally apparent that the national machinery which exists for carrying out decisions made at Unesco's General Conference is almost everywhere inadequate.

As for National Commissions, or National Co-operating Bodies, these have now been appointed in thirty-one Member States, but the ways in which they function are various and sometimes devious. Their *raison d'être* is to be found in the American and English documents which were the forerunners of Unesco's draft Constitution, and which urged that the Organization should 'combine with the authority of the Governments the active participation of those upon whom will chiefly fall the task of carrying out its decisions'. It is very doubtful whether this objective has been achieved yet in any country In one democratic country the National Commission meets only twice a year, but the Executive Committee once a month; in another the National Commission has met three times in a year but has not yet any form of Secretariat. Progress almost everywhere is extremely slow, that of the United Kingdom, despite some shortcomings, being one of the most advanced.

In an attempt to improve the functioning of these bodies, Unesco has produced a new periodical entitled *National Commissions News Letter*. The more general monthly, *Unesco Courier*—extremely readable and well illustrated—, is becoming more widely known. Unesco's poster and essay competitions for young people, which began in October 1948, will certainly increase the demand. Two booklets, 'You and Unesco' and 'Let's Visit Unesco House', have been produced for young people. Though printed in Paris in English and French some months ago, they have only recently been made available in England by the Ministry of Education, and that in small quantities. Other Unesco booklets deal with the needs of reconstruction, with museums and libraries, and with adult education, in which subject a world conference is to be held in 1949.

In the ambitious field of fundamental education there has been what may be called a fruitful disappointment. Conditions in the Marbial Valley in Haiti proved far worse than information had suggested. Education alone would have been futile in a struggle not merely against ignorance but also against soil erosion and appalling health conditions. So plans are being made for a combined operation—the first of its kind—involving also the World Health Organization and the Food and Agriculture Organization.

The Nyasaland Pilot project has not yet started owing to sickness and changes in the field staff, while the project in China has been thrust aside by the intensification of the civil war. These things have given the opportunity for a wise reversal of the policy of 1946 which had been forced on Unesco by some of the delegations at Paris who made Fundamental Education a first priority. Now it is to take its proper place—as one of the subjects on which Unesco will act as an information clearing house. Indeed, the appointment of Dr Beeby as head of the Education Section has been followed by a new policy. He has stated that he thinks it sounder to confine Unesco's educational activities to those that will encourage the widest application of advances and discoveries which have already been made but which have hitherto had only a limited application. By stimulating requests for educational missions and exchange of information, and by developing these techniques of 'educational brokerage', he hopes that his Department will best fulfil its purpose.

It must be admitted, however, that the slowness with which national Governments provide information does not inspire great hope in this aspect of the work, particularly if one remembers Dr Huxley's complaint that Member States ignore their obligation to return periodical reports. Also one has little hope that those countries where educational help and advice are most needed are likely to be the Member States who ask for it. It must be recognized indeed that Unesco is heavily dependent on the co-operation of national Governments. The retiring Director-General's report suggests a way out:

> 'Unesco is an inter-governmental organization. Accordingly, while its purposes are world purposes (either implicitly, like peace, or explicitly, like promoting the general welfare of mankind), its very nature puts difficulties in the way of their realization, since the ultimate control of its policy is in the hands of official delegations representing the points of view of separate national Governments. To my mind, the best method available for securing any immediate advance in this direction is for Unesco courageously to delegate an important part of its work to private individuals, chosen not as official delegates of Governments, but as leaders of civilization—outstanding thinkers, artists, writers, men of science, owing their best allegiance not to

nations, but to humanity—representatives not of Government departments, but of departments of the human mind.'

The need for stressing this argument is shown by a document presented to the National Co-operating Bodies of the United Kingdom. It objects to the consultation by Unesco of individual scholars, scientists, and experts except through the agency of the National Commission. It insists that: 'If the National Commission already has experts working on the special subject concerned, they must represent the official British point of view, and the findings of any other representative will carry no weight at home.' This seems a dangerous doctrine, introducing a bureaucratic party line and suppression of minority view into a new field of English life.

Such is the picture of Unesco's handicaps and achievements in 1948. There is certainly justification for concern. The difficulties of the General Conference in setting clear objectives have been formidable, and it is likely that Unesco has been trying to advance on too broad a front. But it is also suffering at the hands of friends, and has had a hard row to hoe. The first Budget was so cut that the programme had to be recast at the cost of three months' delay; the second Budget was cut, and as French costs of living continued to soar in 1948 staff development had to be stopped. With fuel and lighting cuts and strikes, Paris has, in the past two years, frequently been a difficult city in which to work. As for the Secretariat, it has of course been necessary to bring together intellectual workers from most of the Member States With the best will in the world there have been difficulties not merely of language, but all the inevitable misunderstandings that flow from different ways of looking at the same question. Such an international staff, in the first two years, cannot possibly be as efficient as a team of homogeneous nationality. Moreover, in September 1946 almost everything in Paris had to start from scratch. When all this is given due weight, it is remarkable that so much effect has been produced in the world, and that, be it added, on an annual sum of money which is little more than half that spent by the British Council in making the British way of life known and understood.

It is widely recognized and taken for granted that wars are expensive. It is almost as widely accepted that what is called 'defence' is expensive and costs the British people today something above £900 million per annum. In 1948 Unesco cost the United Kingdom £257,000. This article attempts to enable the taxpayer to assess whether or no he has had his money's worth.

With the end of 1948 came the end of the Director-Generalship of Dr Julian Huxley and the appointment of Dr Jaime Torres Bodet, the Mexican Minister for Education. Time alone will reveal a true estimate of the strenuous work of the preparatory period and

those two hectic years of 1946–48. It is likely that, in view of the immense difficulties confronting such an organization in its beginning, the period of Dr Huxley's directorate will appear as one of constructive and imaginative effort against formidable odds.

C. H. D.

THE ECONOMIC VIABILITY OF PAKISTAN

WHEN, on the British transferring their power in India, the idea was first mooted of founding a separate Muslim State, there were considerable doubts expressed about the political advisability of such a step, and very strong and widespread misgivings were felt as to the probable economic consequences of the implied partition. Would the territory form a reasonable economic unit, able to function at all successfully? Had it enough resources available to provide the necessary food, shelter, and other essentials to maintain even the existing standard of life? If that standard were to be raised appreciably by increased industrialization, would the proposed political unit have access to sufficient raw materials and possess the necessary financial backing, as well as enough skilled and semi-skilled labour, to achieve the goal? These questions were inevitably raised by any realistic analysis, and it seemed to be generally understood that, even if partition could be effected under the most favourable conditions, the necessary political and economic arrangements, even with the utmost goodwill on all sides, would be no easy task and would involve considerable strain.

When, however, the final division was effected, and accompanied by actions that could only exacerbate already existing ill-feeling, then the difficulties were for a time immeasurably increased. Doubts and fears were strongly felt as to whether the people of the new Dominion could overcome these formidable obstacles. Formidable they are, and it will need a very determined and concentrated effort by the people and Government of Pakistan to clear them, even if the leaders can be fired with the same zeal and enthusiasm which overcame the many serious political difficulties before the new State could be founded. Helpful though religious zeal and enthusiasm have been, and can be, many other and more material things are needed before much economic

progress can be made and the new Dominion can be well established as a going concern.

The Partition as carried out has left Pakistan a somewhat unbalanced economic unit. It is divided into two widely different major geographical regions, more than a thousand miles apart, with no direct communication between them, the much smaller area having about two-thirds of the total population of the Dominion. Although the two regions are to some extent economically complementary, they are not really so much so as each region is to many of its neighbouring territories, with which a large share of its economic life was linked up before Partition. And they will no doubt continue to be connected closely, even if not just as effectively, although a political frontier has to be crossed for trade and travel. Further, while in West Pakistan there are the well-irrigated canal 'colonies' of the Punjab and Sind, containing some of the most fertile land in the whole of the sub-continent of India, producing excellent 'cash' and food crops, there are also the large and almost completely barren tracts of the west and north-west, some of which get only just enough water to grow the most scanty crops. The situation is worse still in the even larger areas of dry and stony country which is practically useless land for man or beast. At best such tracts can only provide for a wild nomadic existence for people who for generations have only been able to maintain even their very low standard of life by levying tribute on the traders passing through; by periodical raids on the few relatively more prosperous villages in the neighbouring cultivated tracts; by casual or seasonal labour on roads and other public works on the plains; and also by means of their most regular source of income, the subsidies provided by a more or less benevolent Government of India. These were considered a cheaper and more civilized alternative to spasmodic military campaigns when the depredations of the tribesmen became unbearable to their neighbours or to the Government.

This frontier problem, which has worried successive generations of civil and military administrators, is basically economic rather than military. 'Man cannot live on a rock.' When the inhabitants of the Tribal Territories have been unable to maintain even their primitive way of life by growing a few scanty crops, or by practising simple arts and crafts, they have attempted to take by force what they have been unable to obtain by less objectionable means. This has, all too frequently, led to conflict with military expeditions sent by the Government, often on a fairly considerable and costly scale. Now it falls to the lot of the new Dominion of Pakistan to take over and, if possible, find a solution to what has been an almost intractable problem.

Another difficulty facing the Pakistan authorities is the lack of sufficient forest land, especially in the Western regions, where disregard for the disastrous consequences of cutting down innumerable trees haphazard, and a failure to re-plant even where cutting has been most reckless, has left large tracts of formerly well-wooded hillsides almost completely stripped of trees. Mountain streams and torrents have been left uncontrolled, with resulting land erosion and all the cumulative consequences in the loss of much valuable cultivable land, in addition to a most serious waste of good timber supplies, actual and potential. Today only about 4 per cent of the whole area of the Dominion is forest—less than three per cent in the West, and less than ten per cent in East Pakistan. This position can only be remedied very slowly, although further denudation of forest can be avoided by rigorous control of cutting and immediate attention to re-planting. The opening of a new Forestry College in the Murree Hills and the proposal to establish a Forest Research Institute show that the Government is aware of the urgent need to conserve the forest wealth of the country.

In spite of all these numerous and long-standing handicaps to efficient cultivation, the out-turn from the cropped areas should, in normal years, generally provide for the immediate needs of the peasantry on their present standard of living. But much of this relative economic security is dependent on the canal irrigation system, which was extremely well-developed during the past fifty years under the previous régime. The crucially important headworks of some of the canals are now outside the Pakistan borders. Arrangements have to be made for their maintenance, and also about the quantity of water to be impounded from rivers which may be as important for the economic prosperity of other regions as they are to Pakistan. Such necessary amicable arrangements will not always be easy to maintain if tension happens to be running high on other disputed questions, economic, political, or communal. At the same time, provided care is taken to avoid the inherent dangers of water-logging and its concomitant evils, some extension of the present canal system may be effected fairly quickly and at lower cost than would be necessary to carry through completely new projects, however desirable those might be as a long-term policy.

The yields from agriculture might be increased by abandoning some traditional practices which restrict output. The continual sub-division of holdings (already far too small for efficient working) results in waste of land in the dividing baulks[1] and loss of labour time in movement to and from scattered strips. Preventable

[1] i.e., ridges left unploughed between the holdings.

also are the losses caused by using inferior seed, waste of manure, bad storage, and the depredations of rodents. In view of the normally conservative outlook of the peasants it will take time to make the necessary changes, but the cost should be low compared with the benefits to be obtained. It may take longer to effect sufficient improvement in transport and marketing, and probably longer still to raise the general standard of health and fitness of the cultivators, whose output is often reduced owing to low vitality and ill health. And when all these man-made obstacles to agricultural efficiency are overcome, there will still remain nature's almost irremovable handicaps—the effects of the quick climatic changes, the daily and seasonal wide ranges of temperature, the severe droughts and heavy floods, as well as the continual dependence on timely rains for all successful cropping.

In addition to the efforts made to improve agricultural production by a progressive and determined policy, it will obviously be necessary to press on with some measure of industrialization Early attempts in this direction will probably be most successful when based on the agricultural resources of the country. But something more will be necessary if the aims and objects of the people and Government of Pakistan are to be achieved. The industrial development of any region depends on the raw materials required for particular industries—on the fuel and power available; iron, steel, and timber supplies for construction work; on the amount and suitability of the labour supply; on transport facilities and marketing possibilities; and last, but by no means least, whether sufficient finance is likely to be forthcoming on satisfactory terms.

In the sphere of essential raw materials Pakistan does not appear to be too well equipped for large-scale production, except in the case of cotton and jute. About four-fifths of the total sub-continent's jute crop comes from East Pakistan, and at present most of this is exported, chiefly to West Bengal. Much more of the fibre could be baled before export, and the additional presses now on order should, when installed, double the baling capacity in East Bengal and thus increase the net returns from the crops. In addition to this improvement in the handling of the fibre exported, more could be processed in East Pakistan itself by the erection of mills for the manufacture of Hessian cloth and gunny bags. Much of the ample supplies of home-grown cotton, some of it quite long-stapled, could be used to expand the nascent cotton mill industry in West Pakistan and still leave enough fibre for village spinning and handloom weaving, as well as providing many thousands of bales for export. Further, the returns from such exports could be increased at little cost if more care were taken in

the ginning and packing of the cotton for foreign markets. Progress in the woollen industry is not likely to be possible on anything like the same scale as in the two textiles just mentioned, but some expansion could be effected, particularly in making the rugs, carpets, and blankets for which some localities are justly renowned.

Good supplies of salt, sand, and gypsum can be obtained, and raw materials appear to be available for a limited extension of the glass, cement, and chemical industries. In these projects the Government is helping, and also in the efforts which are being made to utilize the recently discovered sulphur deposits in Baluchistan. The Dominion also exports at present very large quantities of hides and skins (buffalo, cow, sheep, and goat), some of which might be much better utilized in extending the tanning and leather industries at home. More might also be done to develop the seed-crushing industry locally, thus providing both useful oil supplies and much-needed feeding stuff for the Dominion's large number of poorly nourished cattle. There is also enough sugar-cane and tobacco grown in Pakistan to provide raw materials for increasing the sugar and tobacco industries. Further, if the Government presses on with its forest conservation plans it should be possible to reduce the imports of timber for the indigenous match industry and also provide the raw material for the setting up of a few paper mills in the State.

The fuel position is poor. Pakistan is almost entirely dependent on imports for its coal supplies; at present about two-thirds of these come from across the Indian border at a relatively high cost on account of the long land haulage from the mines. Other demands for coal are met by imports from overseas and from the small deposits in Baluchistan, where efforts are being made to increase output, so far without any very material success. There are reasonable prospects of satisfactory yields from the oilfields at Attock, and perhaps of some increase in output. But it is doubtful if this would be sufficient to meet an appreciable increase in the demand for oil for industrial purposes. It looks, therefore, as if Pakistan will have to depend for most of its fuel, as well as for its artificial lighting, on an increased use of its large potential resources for the supply of electric energy in the mountain ranges of the north-west and west of the Dominion, taking advantage of the good start made in several districts before Partition. The Government are pressing on with extensions in the Malakand region, where it is hoped to effect a four-fold increase in the output by the end of 1951. Much more will have to be done as soon as the necessary funds can be raised for equipment and labour, if the resources for obtaining electric energy are to be fully utilized and so relieve the very serious fuel situation for a country

which is hoping to develop its industries. The flourishing iron and steel industry of the sub-continent is now outside the borders of Pakistan; consequently most of the machinery, and especially heavy equipment, will have to be imported, although some of the assembling might well be done after arrival, provided there is sufficient skilled labour available for such work.

It will be apparent that much depends on the supply of labour in the country—not so much on the quantity, perhaps, as on its quality, and its suitability or adaptability for undertaking the jobs necessary—if the new State is to make substantial progress in developing its industries. An ample supply of skilled and semi-skilled labour is available for some factory work, but until the prevailing illiteracy is removed and some training provided or experience gained there is likely to be a serious dearth of skilled workers and foremen, as well as of qualified technicians capable of handling the delicate, expensive, and often dangerous machinery necessary for large-scale mill production. There are also big gaps in the commercial and managerial sides of industry. Here again more well-trained and experienced personnel will be required before much headway can be made in the manufacture of satisfactory goods for the home trade, to say nothing of possible attempts to capture foreign markets. Many of the deficiencies of personnel can be remedied, but this will take time, and much has to be done to secure the necessary efficiency of the artisans and the commercial staffs. Fortunately the Pakistan Government appears to be well aware of the urgent necessity for pressing on with education work of all kinds, including provision for good technical training and research on the many problems facing the country in both agriculture and industry.

Further, the transport facilities will have to be considerably improved if the trade of Pakistan is to be substantially increased. As is well known, transport was thoroughly disorganized during the upheaval in 1947, and few people would claim that before then it was at all adequate for the needs of the country, though the road system of the Punjab was probably better than that in most of the other provinces. Even there, however, apart from the Grand Trunk Road and the connecting links between the larger towns, the roads were far from satisfactory; outside the towns they were generally poor, while in rural areas they were mostly dusty tracks in the dry seasons and impassable mud puddles in the rains. The immediate effects of the disturbances and of the Partition generally were perhaps more serious on the railway system than on the roads, and especially on the facilities for movement of freight and people over long distances. The main lines serving Pakistan were badly truncated, with cuts on two most important lines between

Delhi and Lahore, and that portion of the East Bengal Railway left in Pakistan lost its more important workshops as well as control over the main junctions. Much improvization had to be done to extract anything like order out of the terrible chaos, and over large areas transport is still very far from being satisfactory. This lack of facilities for the movement of up-country produce and for people is likely to be felt for some considerable time, as although construction work may be started, substantial improvement can only be effected slowly. On the other hand, as regards transport for its actual and potential foreign trade and for passenger travel abroad the Dominion is well placed. It is true that East Pakistan will have to rely for some time to come chiefly on the deep-water port of Chittagong, but West Pakistan has the excellent sea and airport facilities of Karachi. The equipment and organization at the docks and wharves are at present sufficient for handling light and heavy cargoes as well as for dealing with the extensive sea passenger traffic. The Karachi Port Trust is well aware of the need to maintain and improve the services at the port. Further, with the development of air transport for both freight and passengers Karachi should become one of the most important centres in the East, whether land or sea planes are used.

Much of the foreign trade of Pakistan is with India and will probably so continue, as the resources of the two States are complementary in some important commodities. Most of the long-staple cotton grown in West Pakistan is used in the mills of Bombay and Ahmedabad, and much of the raw jute exported goes to West Bengal. The jute, cotton, and tea exports provide much of the foreign exchange for Pakistan to pay for its imports, which, apart from exchanges of different varieties of such foodstuffs as wheat and rice, include coal, cotton cloth, timber, sugar, iron, and steel.

Lastly, finance constitutes a most serious and urgent problem facing the new State. It is essential to find the funds to carry on the day-to-day work of government and at the same time provide for the desired expansion of industry. This would be no mean task, even if the banking and credit arrangements in the country were much better than they are at present or can be in the immediate future. Before this unfortunate position can be completely remedied considerable changes will have to be made in the outlook and habits of the majority of the people. Even among the more thrifty peasants any savings usually take the form of hoarding the precious metals, a practice that does not help at all in providing finance for either Government or industrial needs. The strong religious objection to the taking of interest on loans has, among other causes, hindered the growth of banking among the Muslim

community, and too little use has been made of the facilities which sound banking institutions provide for trade and investment.

The sterling balances and the assets of the Reserve Bank may help to provide backing for the new currency issue and for the Central Bank of Pakistan. This bankers' Bank opened in July last. It is to have a share capital of 3 crores of rupees, 51 per cent of which is to be held by the Government; but how much more capital can be made available by private investors and by the Government for industrial expansion? Serious inroads have been made on the financial resources of the country in attempts to repair the damage to property and equipment during the recent upheaval, and in rehabilitating the unfortunate refugees, as well as by heavy expenditure for military security. This burden may be reduced in view of improved relations with the Government of India, but, even so, the many heavy claims on available funds will make the task of the Finance Minister of Pakistan one of herculean proportions for a long time to come.

The Government is borrowing in the usual manner on fairly long-term securities and by the weekly issue of three months Treasury Bills. Both methods appear to have been as successful as could have been expected under the prevailing conditions in the country. Perhaps the combined appeal to religion and patriotism has been of assistance, backed as it was by the powerful support of the late Qaid-i-Azam. In what proved to be his last message to the people of Pakistan, he said: 'Nature has given you everything; you have got unlimited resources. The foundations of your State have been well laid and it is now for you to build, and build as quickly and as well as you can. So go ahead and I wish you Godspeed.'

While there may be more than one opinion as to the economic side of this injunction, there can be little doubt about the urge to build, and to build quickly, on the part of the present leaders in the State. The number of committees appointed, reports submitted, schemes formulated, and plans visualized in almost every form of economic activity is remarkable. Many obstacles will have to be overcome, however, before most of the bigger projects can be brought to success, and one can hardly avoid the conclusion that in making most laudable efforts to increase the prosperity and well-being of the people many inherent difficulties have not received due attention. It may indeed be both desirable and necessary to curtail, or at least postpone, some of the more ambitious, almost grandiose, schemes when they are considered in conjunction with the resources available in the new Dominion. Is it surprising that doubts should be felt as to the ability of the country to carry so many additional responsibilities? Are the leaders scattering their

nergies over too wide a field and thus wasting resources which re by no means unlimited? They are certainly planning to do iany things which most people who know the country will agree eed to be done, and which, it may be argued, ought to have been one earlier. The present backwardness of the State makes it all ie more imperative they should be done quickly. But has enough onsideration been given to the difficulties which will have to be irmounted in view of the limited resources in men, money, and iaterials, before a start can be made on so many new projects on ich a relatively large-scale? Is it wise to undertake them in ldition to extensions and pressing improvements in the existing nall industries, as well as taking practicable steps to obtain larger eturns from agriculture? For agriculture is still the main industry f the country and the one which, for many years ahead, will ave to provide the chief means of livelihood for the great iajority of the people of Pakistan.

J. W. T.

THE PROBLEM OF INTRA-EUROPEAN PAYMENTS

THE Organization for European Economic Co-operation in Paris published in January 1949 a Report on its first annual rogramme covering the period July 1948 to June 1949.[1] This eport describes in some detail the efforts countries participating i the European Recovery Programme propose to make during 948–49 towards achieving a large measure of economic recovery y 1952, the time when Marshall Aid will come to an end.

Although the outstanding problem for Western Europe[2] in the eld of international payments is how to achieve a balance in ayments relations with the Western Hemisphere, the connected roblem of intra-European trade and payments is very important, nd is fully discussed in the Report.

On 16 October 1948 the O.E.E.C. member countries signed an greement for Intra-European Payments and Compensations,[3] esigned to overcome some of the difficulties which had arisen in ayments between European countries and thus facilitate trade.

[1] Organization for European Economic Co-operation: *Report to the Economic o-operation Administration on the First Annual Programme.*
[2] The term 'Western Europe' is here and in other places used to imply untries participating in the European Recovery Programme.
[3] *Cmd.* 7546.

In order to see this scheme in its proper perspective it will be useful to survey the mechanism of intra-European payments since the end of World War II, its shortcomings, and the efforts made in past years to overcome difficulties. It will also be necessary to touch upon the question of the position of Europe's trade before and after the war.

Before the war, in 1938, total intra-European trade (i.e., the sum of all exports of European countries to each other) amounted to the equivalent of $6 7 milliard; two-thirds of this, namely $4.5 milliard, was accounted for by the European trade of Germany and the U.K. The commodity structure of trade resulted in an intra-European trade and payments pattern in which Germany and the U K held opposite positions; Germany was a net exporter, the U.K a net importer *vis à vis* the rest of Europe.

EUROPEAN TRADE OF GERMANY AND THE U.K. IN 1938
(in million current dollars)

U K exports to Europe (excl Germany)	961
Europe's (excl Germany's) exports to U K	1,277
Balance in favour of Europe (excl Germany)	316
Germany's exports to Europe (excl U K) ..	1,334
Europe's (excl U K 's) exports to Germany .	1,014
Balance in favour of Germany	320
German exports to U K	140
U K exports to Germany	101
Balance in favour of Germany	39

Broadly speaking, Europe's export surplus with the United Kingdom could be offset against its import surplus with Germany. Britain paid for her import surplus from Europe by means of income from overseas investments, shipping, etc, which enabled the rest of Europe to pay for its import surplus from Germany. Sterling was a freely convertible currency, and Germany could buy what she required (food and raw materials) from overseas, either in the sterling area or in other currency markets. Thus the determining factors in the structure of trade settlements in Europe were the export surplus which all European countries (except Greece and Turkey) had with the U.K., and the convertibility of sterling.

The war changed the conditions in which European trade had operated. In the early post-war period Germany had virtually disappeared as a trading partner; trade between the Eastern countries and the rest of Europe was greatly reduced. Europe had become more dependent on the Western Hemisphere for essential imports, while in most countries gold and dollar reserves had been depleted by the war. Overseas investments of many countries had

vanished, and with them the income with which to pay for trade deficits. It is not surprising that in the circumstances Governments were reluctant to use gold and dollar reserves to meet trade deficits with other European countries. That such deficits would arise was highly probable, because, for one thing, trade between pairs of European countries did not normally balance, and also because the war had impaired productive capacity in different countries to a varying degree. There was a great demand for goods everywhere in Europe, but some countries were able more rapidly than others to resume exports on a substantial scale (e.g. Britain, who normally had an import surplus with the Continent, had a sizable export surplus in 1946). It was not at first anticipated that the lack of balance between European countries, and possibly even between Europe and the rest of the world, would be of long duration, but in fact it still persists.

THE BILATERAL PAYMENTS MECHANISM

In order to effect a resumption of trade immediately after the end of hostilities, without the necessity either for strict bilateral balancing over a short period or for paying in gold, pairs of European countries concluded bilateral payments agreements, which in most cases were coupled with bilateral trade agreements.[1]

Payments agreements, though varying in detail, usually have certain features in common: country A agrees to make its own currency available through its Central Bank to country B for current purchases and payments in A; in exchange, country B transfers (or credits) to country A an equivalent amount of B-currency at a rate of exchange fixed in the agreement.

Under this system B can purchase in A what it requires, paying for it in A-currency, while A has at its disposal B-currency with which it can buy in B when B's goods become available or are required by A. In most, though not all, agreements a limit is fixed to the amount of his own currency which each partner is prepared to advance against the other's currency within a given period of time, in other words, the amount of credit each will grant the other. This limit is frequently referred to as the 'swing'; if mutual payments between two partners were to result in one having to hold the other's currency in excess of the 'swing', the creditor could ask the debtor to repurchase the excess balance of his currency in gold or convertible currency. This system enables one country to purchase from another up to the 'swing' (credit limit) without paying for it in gold or exports. When the first of these

[1] The term 'Payments Agreement' is generally applied on the Continent to agreements such as those described here, a U.K agreement involving the use of two currencies is termed 'Monetary and Payments Agreement'.

agreements was concluded it was anticipated that, as European economies recovered, countries would be able to pay off the advances. This hope rested on the assumption that either bilateral balance in trade could be attained over a period of time, or that enough convertible currency would become available with which to settle intra-European deficits. In practice, it soon became apparent that certain countries tended to have growing deficits or surpluses *vis à vis* certain others. For example, by the end of 1946 Denmark had accumulated a sterling debt of some £33½ million, while France owed the U.K. over £100 million and Sweden 80 million kroner. As these tendencies grew more marked, special steps had to be taken to reduce debts. In some cases the proceeds from the sale of requisitioned securities were used to balance accounts (e.g., France used the proceeds from the sale of French-owned British securities). It was not always possible, however, to balance accounts in this way, and under the terms of agreements gold payments had to be made For instance, at the end of 1946, when the U.K.[1] had exceeded the credit limit under the agreement with Switzerland, settlement had to be made in gold.

As a result of the growing lack of balance in bilateral payments, countries which had not previously insisted on a credit limit in their agreements were forced to introduce a limit.

During 1946 some countries consolidated the credits granted under payments agreements, so that debtor countries were not under an immediate obligation to repay advances with exports or to stop imports altogether. For instance, the U.K. consolidated in sterling some £100 million of her advances to France, and Belgium consolidated the Netherlands' debt; Sweden 'froze' existing overdrafts temporarily and granted new credits under new payments agreements.

In this way the bilateral mechanism was kept going after the first post-war year, but none of the steps taken to facilitate its operation provided a permanent solution for the difficulties.

In the course of 1947 and 1948 many countries were forced into a stricter bilateral balance in their trade relations, and a number of them were obliged, in their trade with certain others, to maintain export surpluses with which to pay off accumulated debts. Take for example the case of Sweden and Switzerland. During 1946 and 1947 Sweden had accumulated a debt with Switzerland of some 60 million Swiss francs. Under the Trade and Payments Agreement for 1948–49 Sweden undertakes to pay off this debt over a period of two years. She will export to Switzerland goods worth

[1] All U K agreements apply to the sterling area as a whole. In the instance discussed here heavy sterling area purchases had exhausted the Swiss credit, while the U.K. itself had a favourable trade balance with Switzerland

130 million Sw. francs annually, of which 30 million will be used for debt repayment, and the remaining 100 million to pay for imports and 'invisibles'. This is an example of an attempt to restore the balance by restricting imports. In other cases steps were taken to attain a better balance by increasing exports from the debtor to the creditor. France and Belgium are a case in point. In February 1948, only six months after the conclusion of a one-year agreement, France had exceeded her credit limit with Belgium. As well as making payments in gold, France offered to increase her exports to Belgium beyond the amount provided for under the trade agreement, and Belgium agreed to increase her imports from France.

But by and large during the latter part of 1947 and 1948 gold transfers had to be resorted to on an increasing scale to settle intra-European deficits.

Payments difficulties might well have constituted a serious threat to the maintenance at a high level of intra-European trade. Fortunately other circumstances favoured increased trade. Production was rising everywhere, and there was still a great deal of unsatisfied demand for each others' products among the countries of Europe. As a result, trade, even on a more strictly bilateral basis, could be maintained at a high level. But the conditions favouring trade in 1947 and 1948 cannot be expected to prevail indefinitely.

THE 'TRANSFERABLE ACCOUNTS' SYSTEM OF THE U.K.

An attempt to provide a mechanism which would avoid the necessity for strictly bilateral equalizing of accounts was the development of the 'Transferable Accounts' system of the United Kingdom. This country had undertaken, under the Anglo-American Financial Agreement of 1946, to allow a growing number of non-sterling countries to use currently acquired sterling holdings in their mutual payments without previous consultation with the U.K. In consequence of this undertaking a number of payments agreements were concluded by the U.K. in which the right to transfer sterling in this way was granted to the partners. The further undertaking of the U.K. to make sterling convertible into dollars at a later date increased other countries' willingness to accept and hold sterling. Sterling was made convertible in July 1947, but the drain on dollar resources became so great that the U.K. was forced to suspend convertibility a few weeks later. The right of automatic sterling transferability was subsequently withdrawn from a number of countries, especially those already holding substantial sterling balances which, if further increased by sterling transfer from third parties, might exceed the 'swing' fixed under the existing payments agreement with the U.K.; such countries could then have asked the U.K. to repurchase their

excess sterling in gold or dollars. Countries which did not hold large sterling balances were allowed to continue to use sterling in their mutual payments after consultation with the U.K. exchange control authorities. Similarly, countries holding sterling balances were allowed to use them for payments to countries who were short of sterling. The scope of such transfers is limited by the tendency of the U.K. towards bilateral balancing of trade and payments, thereby reducing the available balances in the hands of her European trade partners.

THE 'MULTILATERAL COMPENSATION SCHEME'

In July 1947 the first meeting took place in Paris between representatives of the countries later to be known as the 'Marshall Plan' or E.R.P. countries. The Conference appointed a number of committees, one of which was to study the position of the participating countries under their bilateral Payments Agreements. This committee recommended a plan for 'Multilateral Monetary Compensation' which had been put before the Conference by the representatives of Belgium and the Netherlands. In November 1947 France, Italy, Belgium, and the Netherlands signed an Agreement for 'Multilateral Compensation'. The original signatories of the agreement became permanent members of the scheme, and subsequently most of the other participating countries joined it as 'Occasional Members'. The Bank for International Settlements in Basle was appointed the central clearing agent. The scheme was as follows: each member informs the clearing agent at regular intervals of the results of the operation of his bilateral payments agreements: that is to say, the amounts of other members' currencies he holds (his surpluses), and the amount of his own currency held by other members (his deficits) These surpluses and deficits are then mutually offset to the extent to which such compensation results in a reduction in the balances of each participant. To take a simple example. A holds £50 of B-currency, B holds £30 of C-currency, and C holds £25 of A-currency. £25 of these balances can be offset by multilateral compensation under the terms of the agreement. After the operation A's holding of B-currency will be reduced to £25, B's holding of C-currency to £5, and C's holding of A-currency to zero. Since none of the three currencies is freely convertible into the others, A cannot offset his credits with B against his debts with C. By introducing a third country whose position is complementary to that of the two others, offsetting becomes possible. The resulting reduction of all balances enables creditors to extend further credits, and if payment has to be made in gold, less gold will be needed to settle all the balances than if there had not been compensation.

This compensation arrangement has been carried forward and incorporated in a more elaborate form in the Intra-European Payments Scheme described below. Adjustments had to be made in the method of compensation to take account of the mutual extension of drawing rights which is its outstanding feature.

THE INTRA-EUROPEAN PAYMENTS SCHEME

When the Convention of the Organization for European Economic Co-operation was signed in April 1948, the member countries pledged themselves to take the necessary steps to facilitate the movement of goods during the reconstruction period. It was realized that existing intra-European payments difficulties constituted a serious obstacle to the best utilization of European resources, and after prolonged negotiations an Intra-European Payments Scheme for the first year of the Economic Recovery Programme was agreed upon.

This scheme is based on the recognition of the fact that larger surpluses and deficits would arise in trade between particular Western European countries than could possibly be cancelled out by ordinary compensation arrangements. The solution found for this problem was a system by which prospective creditors made available as a grant sums in their own currency, on which prospective debtors could draw to finance their deficits with the creditors in question. Intra-European creditor countries receive part of their E.R.P. dollar allocation from the U.S.A. conditionally upon their making the agreed contribution to the Intra-European Payments Scheme.

The agreed contributions and drawing rights for 1948–49 were:

(*$ equivalent, million*)

	Contribution	*Drawing Rights*	*Net Contribution (+) or net Drawing Right (−)*
Austria	3 1	66 6	− 63·5
Belgium	218·5	11 0	207·5
Denmark	5·1	11 9	− 6·8
France	9·7	333·0	−323·3
Greece	—	66 8	− 66·8
Italy	47·3	27 0	20·3
Netherlands	11·3	83·0	− 71·7
Norway	16·5	48·3	− 31·8
Sweden	34·8	9 8	25·0
Turkey	28·5	8 8	19·7
U K.	312 0	30 0	282·0
Bizone	108·8	98 6	10·2
French Zone	14·8	15·6	− 0·8

These drawing rights will be administered as part of a compensa-

tion arrangement which has been described in the O.E.E.C. Report roughly as follows. The Bank for International Settlements (which has been appointed as Compensation Agent) will ascertain the monthly deficits between each pair of member countries, and these deficits will then be reduced by recourse to the resources which are already available to the debtor countries in the currency of their creditors. The Agent will then carry out to the maximum extent an all-round writing-down of balances, both debit and credit, in the same way as has been described above in connection with the earlier 'Multilateral Compensation Scheme'. The B.I.S. will then be in a position to ascertain the amount of drawing rights needed to cover any deficits which remain, and will give instructions for the necessary funds to be provided. In cases where drawing rights have not been fully used the Agent may be authorized to use a drawing right granted to one country to meet a deficit which that country has with a third country, provided that the latter itself is a debtor to the country which has granted the drawing right. These operations are referred to as first category compensations and may be carried out by the Agent automatically and without reference to the countries concerned. The scheme also provides for more elaborate compensation operations, which, however, may only be carried out after previous consultation with the members concerned and with their approval.

It is impossible to say how well the Intra-European Payments Scheme is likely to work. Difficulties might crop up even in its first year, if, for instance, trade follows a pattern slightly different from that on which the contributions and drawing rights were based. The outlook for the more distant future is even more uncertain. It is unlikely that countries will be prepared indefinitely to extend drawing rights to each other on the same scale as this year. In the last resort the success of any payments arrangement will depend on how successful individual Western European countries are in achieving an overall balance in their payments with the world as a whole, and the rest of Western Europe in particular. With this object in view O.E.E.C. member countries have agreed to conduct their trade on the basis of certain rules of commercial policy, the essentials of which are that net European creditors should be as liberal as possible in their import policy *vis-à-vis* net debtors, and as helpful as possible in their export policy, while net debtors should be economical in their external expenditure and should expand exports. Countries more or less in equilibrium with the rest should buy more from net debtors and should endeavour to sell more to net creditors.

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NOTES OF THE MONTH

The Atlantic Pact: Veto on War?

THERE are a few outstanding landmarks in world history and the North Atlantic Pact is probably one of them. In Mr Bevin's words, 'It is a most famous historical undertaking'. Its objective, stated in Article 5, is to 'restore and maintain the security of the North Atlantic area'. The word 'restore' is significant. If this objective is carried out, the initiative, now passing to the West, will be fully maintained. For this purpose the ninth Article is important. By it a Council is to be established on which each party is to be represented, and which will be 'so organized as to be able to meet promptly at any time'. This North Atlantic Council is to set up a defence committee which will recommend measures to 'maintain and develop their individual and collective capacity to resist armed attack'. Such a committee will have to be co-ordinated with the parallel military organization set up under the Brussels Pact. The immediate objective must be the co-ordination of weapons and supply.

To those unaccustomed to the slow tempo of international negotiation, the approach to the Pact may have appeared tentative; actually it has been astonishingly swift. This unprecedented American commitment can alter the balance of world power. Mr Bevin is insistent that this regional organization does not reduce the signatories' obligations to the United Nations, which remains 'the over-riding institution for world peace'. But the Foreign Secretary is well aware that the immediate ineffectiveness of the United Nations demands drastic action. In the policy of containment forced on the outer world by the dogmatic intransigence and steady ineptitude of Soviet policy, the main North Atlantic bastion is being secured. But if this containment is to be effective, the Pact must be reinforced by similar arrangements in terms of a global strategy. The inclusion of Algeria and the North Atlantic islands in the defensive plan is reinforced by Mr Bevin's reference to the independence of Greece and Persia, with their key

positions in the Levant and the Middle East. Here the Indian Dominions and Australasia may well have their part to play in securing the containment in an area perhaps more immediately critical. The recent initiative of the British Government for renewed Commonwealth consultations may well be significant in this context. Meanwhile, there is no doubt that a preponderant public opinion is behind the Pact, particularly in this country and in America, where the initiative of the State Department in explaining policy under the guidance of Mr Acheson is a new departure. There is undoubtedly a widespread popular understanding of the facts of the situation as they have emerged in the last two years. It would seem that the Soviet use of the veto has recoiled on their own heads; the Western peoples have borrowed the idea and are now determined to attempt to put a veto on war.

Commonwealth Consultations

It was announced on 9 March that four special envoys from the United Kingdom were to visit the Dominion capitals to discuss matters arising out of the last Commonwealth Prime Ministers' Conference. Lord Listowel, the Minister of State for Colonial Affairs, and incidentally the last Secretary of State for Burma, was sent to Australia and New Zealand; Mr Gordon-Walker, Parliamentary Under-Secretary at the Commonwealth Relations Office, to India, Pakistan, and Ceylon; Sir Percivale Liesching, Permanent Under-Secretary at the same office, to South Africa, and Sir Norman Brook, Secretary of the Cabinet, to Canada. A characteristic predisposition on the part of the Commonwealth Relations Office to studied understatement should not be allowed to obscure the importance of these Ministerial and official visits, which are to be regarded as an indication of the desire of the United Kingdom Government for a further high level Conference at an early date.

The meeting of the Commonwealth Prime Ministers held in London last October agreed that more frequent meetings of Commonwealth representatives were desirable. It was subsequently revealed that the first of them, a meeting of Foreign Ministers, was planned to take place in Ceylon this year. Since it has proved impossible to keep to this arrangement the newest of the Dominions will unfortunately have to wait some time longer before it can welcome a Commonwealth Conference to its shores. It would seem that matters of greater moment calling for a Prime Ministers' Conference have in the meantime arisen.

It is against the background of the Communist victory in China, of spreading disorder in South-East Asia, and of the still unresolved problem of India's future relationship with the

Commonwealth that Downing Street envoys are exploring the
ossibility of an early Conference. The task may well be difficult.
Apart from their existing conference commitments at the United
Nations and elsewhere, two of the Dominions, at least, and
ossibly a third, are facing general elections in the near future.

Yet the need for an early conference is evident enough. In the
ield of defence, the successful negotiation of the Atlantic Pact has
rought into prominence the need for a more integrated defence
ystem to cover the Pacific and the Indian Ocean areas. Here the
nterest of the Pacific and of the Asian Dominions is direct. As
Dr Evatt has recently pointed out, the existence of five Dominions
n this area implies a shift eastwards in the Commonwealth's
entre of gravity. Of the Dominions in the East, none is more
itally concerned than India, and the two conferences recently
ield at New Delhi, on Indonesia and Burma respectively, indicate
Pandit Nehru's recognition of the urgent need to restore order and
tability in South-East Asia. In this context, the future relations
of India and Pakistan with the Commonwealth become of out-
tanding importance. It can hardly have been a wholly fortuitous
oincidence that Pandit Nehru should have stated on 8 October,
he day before the Downing Street announcement, that, according
o the broad lines of policy already laid down, India would
aturally and inevitably in the course of a few months become an
ndependent republic. She could only consider association with
he Commonwealth, he declared, in terms of the co-operation of
ndependent nations. While reiterating India's desire to remain
letached from the grouping of the Powers, and her aversion to
inding military commitments, he went on to say he would
velcome other forms of association, which did not bind in that
vay but helped to bring other nations together for the purposes
of consultation and necessary co-operation.

Is it possible to reconcile India's republican status with her
continued membership of the Commonwealth? What is at stake
s not so much some nicely balanced estimate of profit and loss to
he Commonwealth or to India herself, but the maintenance of a
bridgehead between East and West. None questioned the great
value of the contribution made by the Prime Ministers of three
Asian Dominions at the October Conference. With that contribu-
ion still fresh in mind, a most determined effort will surely be
nade to find a satisfactory, and, what is equally important, a
asting solution of this constitutional problem.

The South African Provincial Elections

In our Notes of the Month for July 1948 we commented on the
South African election results and expressed the opinion that the

electoral struggle had not yet ended. The provincial elections held early in March are significant as a continuation of that undecided struggle. Though the elections were for Provincial Councils, dealing only with local services, they assumed a national importance, and for the first time in South African history they were frankly fought by all parties on the basis not of provincial but of national issues. The final results give the Nationalists a total of eighty-six seats, and control of the Provincial Councils in two out of the four Provinces—the Orange Free State and the Transvaal. The United Party gained seventy-eight seats, and has a majority in the Cape Province and Natal. Independents and Labour each won three seats.

The test was precisely the same as the one in May last, and concerned the fundamental attitude of South Africa to the rights of its indigenous inhabitants. That issue had not been decided by the last election, but it had been aggravated by Dr Malan's avowed intention to proceed with the removal of the Entrenched Clauses of the South Africa Act[1] (those guaranteeing native rights), on the plea that Parliament was legally entitled to set them aside by less than a two-thirds majority. It was Dr Malan's intention to receive a clear mandate at the provincial elections entitling him to proceed with his Government's 'apartheid' (i e. racial segregation) programme, notwithstanding the constitutional provisions of the South Africa Act.

It is very doubtful whether a mandate from the people at provincial or any other elections, which did not in fact give the required majority to make the change in accordance with the South Africa Act, would have been constitutionally valid. Opinion is strengthening that it is not possible for the Entrenched Clauses to be set aside except in accordance with constitutional procedure which does not violate the South African Parliament's own constitutional being. But in any event, the Provincial Council elections have failed to give Dr Malan any clear-cut decision in the matter. Although he has gained a majority of the seats for his party in the Provincial Councils, he has not received an aggregate number of votes taken together which could be interpreted as a decisive mandate from the people on such an important constitutional issue.

On the other hand, it must be recognized that the result is also not at all decisive from the point of view of General Smuts's position. General Smuts clearly hoped for a very marked swing away from the Nationalists, particularly in view of the abstention of Mr Havenga's Afrikaner Party in the elections. No such swing

[1] These Clauses of the Constitution can only be altered by a two-thirds majority of both Houses sitting together.

away from the Nationalist Party has been registered. On the whole, the election result appears to be a stalemate. It does not appear on the face of it sufficiently encouraging to Dr Malan to warrant an immediate appeal to the country in order to release him from dependence on Mr Havenga and the Afrikaner Party.

For the time being, therefore, the bitter struggle continues. This political uncertainty is unfortunately having grave repercussions on the economic situation in the Union, which, in turn, may eventually contribute to the emergence of new political factors in the present unresolved conflict.

Ministerial Changes in the U.S.S.R.

There is insufficient evidence on which to base a consistent explanation of the changes recently made in the Soviet Ministry and the Presidium of the Supreme Soviet. The replacement of Molotov by Vyshinsky as Foreign Minister, and of Mikoyan by Menshikov as Foreign Trade Minister, left the two outgoing Ministers with their posts as Deputy Premiers. They were both replaced by their chief deputies, a procedure which scarcely implies any change in foreign or commercial policy. It is likely that any such change would have been indicated by the appointment of persons with greater political weight than the new Ministers, as, for example, when Molotov succeeded Litvinov in the spring of 1939. (The replacement of Trotsky by Chicherin early in 1918 was designed to facilitate the Brest-Litovsk negotiations, while Chicherin, when he was succeeded in 1930 by his chief deputy Litvinov, resigned through ill health.) On the other hand, in the later changes, Voznesensky, replaced by Saburov as head of the State Planning Commission, also lost his post as Deputy Premier; it is possible that, with his great experience of economic planning, he has been put in charge of the recently-formed East European Council for Mutual Economic Assistance.

The Presidium of the Supreme Soviet is a body of thirty-three members, in theory of great importance, but in fact secondary in rank; the changes made in it, and in the Ministerial Council of the R.S.F.S.R., to some extent confirm the impression that internal rather than external affairs are chiefly at issue. Even with the vast expansion of the Soviet sphere since the war, and the enormous opportunities for discreet or blatant intervention provided by changes, discontents, and fifth columns in many parts of the world, home affairs are still the dominant consideration.

In so far as the ministerial changes may be taken to indicate a change in foreign policy, it is highly improbable that they foreshadow any conciliatory move. Soviet efforts to incite hatred and fear of the West have been growing steadily more comprehensive

and intense, and have now reached a pitch—or depth—that appears to leave little room for further development. The campaign against the influence of the decadent West and servility towards it, which had not completely died down since it was first initiated in the immediate post-war period, has been revived in a concentrated series of attacks against 'anti-patriotic aesthetic cosmopolitans' in the Soviet drama, cinema, and poetry. A further item in the campaign is provided by the publication in *Pravda* on 15 March of an 'open letter' from Professor Varga. (It should not be necessary to add that the timing and content of such letters are as carefully arranged by the Soviet authorities as is that of any Government statement). The controversy over Professor Varga's views has now been going on for nearly two years, and it is clear that in this dispute over the course of economic development in the United States and Western Europe the Political Bureau has not yet come out decisively on one side or the other. Varga's loss of status at the end of 1947 did not induce him to withdraw his statements, and he has been allowed to repeat them. His letter does not refer directly to the dispute; it is little more than a denial of the charge, allegedly made in 'the organs of black reaction', that he supports the Marshall Plan, and a 'protest against the dirty insinuation of the warmongers to the effect that I am a man of Western orientation'.

THE TECHNIQUE OF SOVIET INTERROGATION

ONE would need to have a blind, unquestioning loyalty to the Soviet régime to accept the 'confessional trials' in Hungary and Bulgaria at their face value. These trials—by all Western standards of justice unworthy even of the name—were inspired and organized by the M.V.D. (formerly G.P.U.). They were closely modelled on those which began in the Soviet Union in 1929 and reached their classic form in the Moscow Trials that astounded the world from 1936 to 1938. The cases of Cardinal Mindszenty and of the leaders of the Protestant Church in Bulgaria show that the originators of this peculiar form of political demonstration regard their technique as sufficiently perfected to warrant its export.

In spite of the considerable evidence available on the methods by which these so-called confessions are obtained, a certain air of mystery still appears to cling to them. Thus *The Times* can write that 'the particular method of coercion or persuasion used on these occasions is unknown and speculations about it are fruitless'; and the *Daily Herald* agrees that 'we cannot know with any certainty the means employed'.

It should be clearly understood that the organizers of these affairs base their belief in their efficacy upon the two widely held views that if you throw enough mud at a man some of it is bound to stick, and that there is no smoke without fire. Experience has shown that their confidence is not altogether unfounded. It is therefore essential to dispel any lingering illusions about the methods employed for the extortion of these confessions, of which it is unlikely that we have heard the last. It is not a question of speculation, idle or otherwise, but one of assembling the evidence accumulated over the years. A straightforward and categoric answer must be given to the question: 'How are the confessions obtained?' This article presents sufficient of the material available from various sources to assist towards providing a solution of the 'mystery'.

The first and most striking aspect of these trials, and one which has also emerged from Russian trials in the past, is the supreme importance of the 'preliminary investigation'. In all the show trials it is this that dominates the scene. It is not too much to assert that this preliminary procedure in fact constitutes the real trial of the accused—and the word trial is here used in both its general and its basic sense. If we turn to the classic example of the Moscow Trials, we observe that the official report more than once emphasizes that the guilt of the accused has already been established in the pre-

liminary investigation. The prisoner enters the dock, therefore, with the case against him officially considered as proved to the hilt. Thus, for example, the President of the Court can tell Radek that he is entitled to make two speeches: one, his speech of defence; the other, his final plea. But the proof of guilt consists always of the confessions of the accused themselves. They constitute the major and the really vital part of the evidence submitted by the Prosecution, and without them what passes for evidence would be laughed out of any Court worthy of the name. In view of the absence of concrete evidence against the accused, the importance that the Prosecution attaches to the avowals of guilt made during the preliminary investigation is entirely understandable. Both those who regard these trials as fair and just, and those who question them, cannot but agree upon the vital importance of the confessions. Since everything, therefore, depends upon them, the preliminary investigation, during which they are obtained, is the key to the problem.

But, it will be argued, these preliminary investigations take place in the strictest secrecy; no outside observer who might be suspected of the slightest degree of impartiality is permitted to be present during this process. There is therefore no way at all of really knowing what takes place 'behind the scenes'. An examination of the evidence available suggests, however, that this viewpoint is inaccurate, and may be based upon insufficient examination of the facts or lack of acquaintance with them. The evidence offered on the question of the preliminary investigation by the official reports of the Moscow Trials is particularly revealing.[1]

When Radek was on trial the State Prosecutor, A. Y. Vyshinsky, asked him· 'For how many months did you deny everything?' Radek answered: 'About three months' (II, p. 135). Another accused, Shestov, testified· 'I did not surrender on the first day of my detention. For five weeks I denied everything, for five weeks they kept confronting me with one fact after another . . .' (II, p. 562). In the same trial Muralov declared: 'And I said to myself, almost after (*sic*) eight months, that I must submit . . .' (II, p. 233). Norkin held out for two months and when asked by Vyshinsky why he at last decided to give way replied: 'Because there is a limit to everything.' And Vyshinsky counters: 'Perhaps pressure was brought to bear on you?' 'I was questioned, exposed, there were confrontations', Norkin replies. Vyshinsky: 'You were confronted with evidence, facts?' Norkin: 'There were confrontations' (II, p. 288). Bukharin at his trial said: 'I have been in prison for over a year, and I therefore do not know what is going on in the

[1] In the following discussion the Reports of the 1936, 1937, and 1938 trials will be referred to briefly as I, II, and III respectively.

world' (III, p. 767). In the Zinoviev-Kamenev trial Vyshinsky says of Smirnov that on 20 May he denied everything, but that on 13 August (i.e., about six days before the trial) he began to talk (I, pp. 156–60).

A great deal more material of a similar nature could be added to these few extracts, taken at random from the three Moscow Trials, but these are enough to prove that the accused have to undergo a more or less lengthy period of interrogation before they can be induced to confess. And it is important to bear in mind that during the whole of this time—which may, as in the case of Bukharin, last more than a year—the accused are utterly isolated from the outside world. Incidentally, Cardinal Mindszenty in his final plea also spoke of his 'thirty-five days of meditation'.

During the course of the Court proceedings the accused were asked by Vyshinsky if they had any complaints to make of their treatment—the very frequency of such questions is itself significant. If nothing more, it shows that Vyshinsky is at least acutely aware that suspicions about the treatment of the accused must necessarily arise. In this connection the words of Radek are particularly interesting. In his final plea he said: 'For two and a half months I tormented the investigator. The question has been raised here whether we were tormented while under investigation. I must say it was not I who was tormented, but I who tormented the investigators and compelled them to perform a lot of useless work. For two and a half months I compelled the investigator, by interrogating me and by confronting me with the testimony of the other accused, to open up all the cards to me, so that I could see who had confessed, who had not confessed, and what each had confessed. This lasted for two and a half months. And one day the investigator came to me and said: "You are now the last. Why are you wasting time and temporizing? Why don't you say what you have to say?" and I answered: "Yes, tomorrow I shall begin my testimony" ' (II, p. 549). (In passing, it should be noted that the word 'tormented' was, in the *Moscow News* report published earlier than the Official Report, given as 'tortured'). The picture Radek here presents of himself as the relentless 'tormenter' of the investigator for two and a half months is so grimly absurd that one cannot help thinking that it was a deliberate reversal of the roles on his part. If this was not a piece of 'Galgenhumor', spoken by design as the nearest he dared come to the truth, then what indeed was it? The extremely illuminating case of N. N. Krestinsky will help further towards forming a conclusion.

Krestinsky made the usual confession during the preliminary investigation, but withdrew it in open Court and pleaded Not Guilty. Vyshinsky asks him if he always tells the truth, and he

replies in one word—no. Upon this Vyshinsky retorts—to this man accused of terrible crimes and on trial for his life—that 'there is no need to get excited'. The following exchange then takes place:

Vyshinsky · . . . Consequently, Bessonov is not telling the truth?
Krestinsky: No.
Vyshinsky: But you do not always tell the truth. Is that not so?
Krestinsky: I did not always tell the truth during the investigation.
Vyshinsky: But at other times you always tell the truth?
Krestinsky: The truth.
Vyshinsky: Why this lack of respect for the investigation, why during the investigation did you tell untruths? Explain.
Krestinsky. (No answer).

The process of accusation and denial continues. Then once more Vyshinsky asks· 'But what about your admission?' Krestinsky replies: 'During the investigation I gave false evidence.' The State Prosecutor tries hard to bring him back to a confirmation of his confession, but Krestinsky stubbornly persists in his denials. At one point he says that he does not feel well but that he has 'only to take a pill' and he will be able to continue. Further questioning then takes place:

Vyshinsky: You remember that I directly asked you whether you had any declarations or complaints to make against the investigator. Was that not so?
Krestinsky: It was.
Vyshinsky: Did you answer me?
Krestinsky: Yes.
Vyshinsky: Did I ask whether you had any complaints, or not?
Krestinsky: Yes, and I answered that I had no complaints.
Vyshinsky: If you were asked whether you had any complaints, you should have answered that you had.
Krestinsky: I had, in the sense that I did not speak voluntarily (II, pp. 47–66).

The afternoon and evening session of 2 March concluded with Krestinsky still denying his guilt. But at the evening session of the next day Krestinsky yields and says: 'I fully confirm the testimony I gave in the preliminary investigation' (II, p. 157).

Is it, after all, so very difficult to grasp why this man, the only one of the accused to have retracted his confession, did not manage to summon up sufficient courage to maintain his position? Is not searching for some mystery—perhaps some strange psychological mystery of the 'Russian soul'—rather like seeing a man with his throat cut and wondering what caused his death?

It can be seen from the above quotations that bringing the

accused to the point of confession is a more or less lengthy process according to the physical and mental make-up of the individual concerned. During this time the very isolation of the prisoners, the secrecy surrounding the preliminary investigations, must inevitably give rise to suspicions about their treatment. If the political police feel it necessary to 'bring pressure to bear', what law is there, what force of public opinion, to restrain them? The accused are wholly at their mercy. If there were no evidence at all as to what goes on during the preliminary investigation, one would be entitled to demand that the authorities give definite proof that everything is above-board. The denials of the prisoners themselves are completely worthless, for means effective enough to make them abase themselves so completely would be equally effective in holding them to their submission. But, in addition to the implications of the evidence cited above, there is direct evidence to prove that pressure of the most powerful kind is in fact brought to bear upon those accused by the Soviet régime.

Dr Anton Ciliga, a former Yugoslav Communist arrested by the G.P.U. in 1930, in an article on 'Judicial Investigation in the U.S.S.R. as I Saw It',[1] said: 'It is the general rule of the G.P.U. to call arrested persons for examination during the night; a sleepy man is less concentrated, less prepared to resist. Psychology is the favourite science of the policemen of the G.P.U.'

Giving evidence before the Comité pour l'Enquête sur le Procès de Moscou, set up in Paris to assist the work of the Dewey Commission[2], Victor Serge, the French writer and former Communist (since deceased),[3] who was arrested in 1928 and again in 1933, confirmed this 'psychological approach', and the fact that examination usually takes place at night. His treatment during his first detention in 1928 was not, he says, severe, but in 1933 he was completely isolated from the world for three months, without correspondence, books, or exercise. 'During those three months,' he says, 'I was questioned about ten times. Except twice, when they took place during the day, the interrogations took place at night. . . . The questioning, in the beginning, assumed the aspect of psychological conversation much more than of a judicial examination; that is to say, not only did they [i.e., the interrogators] not give any information about the accusations, but they tried to establish an atmosphere now of confidence, now of menace, not in order to establish such or such a fact, but in order to lead me into a very general discussion of my life and ideas.'

[1] *La Révolution Prolétarienne*, Paris, 1937.

[2] This Commission was set up in Mexico to inquire into the charges made against L. Trotsky and his son in the 1936 and 1937 Moscow trials (see *The Case of Leon Trotsky* and *Not Guilty*, Secker and Warburg, 1937 and 1938).

[3] Quoted in *Not Guilty*, p. 366.

Dr Ciliga says that the favourite opening questions of the investigator are: 'You know why you have been arrested? No, you don't know? Well, then, why, do you suppose?' Later he was astonished to learn that these were precisely the questions usually put to arrested persons by the examiners of the Inquisition.

During his examinations Serge was confronted with an alleged confession by his sister-in-law, Anita Russakova. This method of playing the weaker against the stronger is clearly one of the weapons employed; it is established by the evidence of the accused during the Moscow Trials that they were confronted with confessions of their fellow prisoners implicating them in the alleged spying and wrecking conspiracy. It may be recalled here that when Vyshinsky asked Norkin, 'You were confronted with evidence, facts?', Norkin did not in his reply repeat the words 'evidence, facts', but said merely, 'There were confrontations'. In the case of Serge and Ciliga no confessions were obtained, and neither ever figured in an open trial.

The infamous treatment of the two Polish Socialists Henryk Erlich and Victor Alter indicates that only those whose resistance is considered to have been broken down completely ever appear at a public trial. Erlich, arrested in September 1939 when Soviet forces entered Poland in agreement with Hitler, was also urged to confess that he had organized sabotage and terrorist acts on U.S.S.R. territory. Alter, arrested in the same month of that year, was likewise accused of crimes of a mixed criminal and political nature. Neither of these two leaders of the Jewish workers' movement could be made to confess. They were at first condemned to death, but the sentence was then commuted to ten years of hard labour in a labour camp. Political circumstances apparently caused a change of mind on the part of the Soviet leaders; it was felt that these men could be used, and they were therefore released. An official apology was made and they were given an indemnity in compensation for their treatment. In December 1942 they were re-arrested and shot.[1]

The fate of Erlich and Alter is known, but many accused whose names were mentioned during the Moscow Trials never appeared in Court. It is known that at least one, Engineer Khrennikov, according to the Official Report 'died during the preliminary investigation'. Of the others, all that is known is that their 'evidence' was used by the Prosecution against those who did appear. One can here only assume that they could not be relied upon to play the roles assigned to them. It is abundantly clear that the psychological probing which forms part of the preliminary

[1] For a full report of this affair see *The Case of Henryk Erlich and Victor Alter*, Liberty Publications, 1943.

investigation is designed to give the Prosecution a pretty good knowledge of the character and will power of the individual concerned. As has been seen in the case of Krestinsky, mistakes cannot be absolutely prevented, but it is clear that the investigators are confident that, once their methods have proved effective in extorting a confession, they can rely upon it not being withdrawn in open Court; and—again as Krestinsky's case demonstrates—their confidence is well founded.

It is important to bear in mind that those who figure in any trials of this nature already stand condemned—the only question that remains for them is whether they can save their lives or the lives of those near and dear to them. There is no direction in which they feel they can turn for aid. They go each day from the Court back into the obscurity of the 'psychological laboratories' of the secret police; and when the trial is over they go back to prison—if they are lucky, or unlucky—for years, or for the rest of their lives. Outside the U.S.S.R., in those parts of Europe now dominated by the Soviet régime, the accused may perhaps feel in some degree that they are not absolutely alone, not entirely without friends, and that a stand in open Court may not be absolutely valueless—in spite of the repercussions of such a defiance upon their persons or the persons of their families and friends. How far this hope is valid remains to be seen. But inside the U.S.S.R. the accused know that their future treatment depends entirely upon their behaviour in Court. What they have endured for months they may have to endure for years. In the circumstances, Krestinsky's failure to maintain his defiance is not surprising; what is surprising is rather that he managed to summon up enough courage to make it at all.

As has been seen from analysing the Moscow Trials, not all those who confess are required to appear in Court (this happened, for instance, in the cases of N. A. Karov, P. Olberg, N. M. Matorin, Yuri Gaven, and others). Those who do appear in public must show no traces of open violence, and the process of breaking them down is a relatively lengthy one, ranging from five weeks to eight months or longer; but for those whom it is not intended the outside world shall ever see, speedier methods may be applied. And these speedier methods may be used in order to undermine the morale of the others. According to the Russian refugee A. Tarov, who also testified before the Paris Committee mentioned above, this is precisely what does happen. He testified: 'In the inner prison of Petropavlovsk . . . the G.P.U. shot the condemned in a special structure erected exactly in the centre of the courtyard where the prisoners took their daily walks. Generally, when at night they dragged the victim along the corridors to the "slaughter-house"—as the prisoners called this place—they gave him the

opportunity to cry out, to howl, implore, beg for mercy, etc. This was done with the purpose of frightening the other prisoners.' This form of pressure, which may be called indirect, may not always be used, but it is clearly part of the repertoire. The confessions of the lesser personalities of a trial, who form its dark background, are shown to those destined to take part in the open political demonstration.

But this 'indirect' pressure is of little importance beside the very direct pressure brought to bear upon the accused who are reserved for the role of public confession of their sins. Vyshinsky himself pointed out during the Moscow Trials that there were other means of torture besides the obvious ones. He himself mentioned the effectiveness of depriving a man of sleep. Perhaps the most detailed and telling evidence regarding the 'softening up' process has been given by one of the members of the Polish underground fight against Hitler. Under pretence of reaching a political agreement with this movement the Soviet Government induced fifteen of its leaders to go to Russia in 1945, whereupon they were immediately arrested and charged with sabotage in the rear of the Red Army. Out of the fifteen thus treacherously arrested and put on trial, only one failed to confess, only one pleaded Not Guilty. He was sentenced to four months' imprisonment and released at the expiration of his sentence, when he returned to Poland and from there succeeded in escaping to the West.

The means of mechanical 'pressure' at the disposal of the investigators are, this Pole asserts, simple but extremely effective. They are, in addition to lack of sleep, light, hunger, cold, and an atmosphere of terror. Day and night a glaring light burned in the prisoner's cell. If the prisoner fell asleep and turned his head from the light the warder entered and whispered: 'You are not allowed to sleep like that. I must see your eyes.' There was no way for him to escape the torture of this merciless light. The cell was always kept at a low temperature, not freezingly cold, but cold enough to cause the exhausted and half-starved man the most acute physical distress. He had one blanket and was not allowed at any time to put his hands beneath it; if he did so the warder would enter and gently replace them outside the cover, whispering: 'This is not allowed.' In the Lubianka Prison, where he was held, absolute silence reigns, and the prisoners know that they are utterly alone. Silence, light, cold, hunger—the food is always well-prepared and appetisingly served and is just enough to keep them as hungry as ravenous beasts—these are the elemental and terrible forces used for the 'softening up' process. The psychological probing into the character, the will, the likes and dislikes, the ambitions and the weaknesses of the victim; the monotonous, relentless questioning hour

after hour; the promises alternating with menaces; the confrontations of the accused with fellow prisoners already broken; the displaying upon the examiners' table of personal belongings taken from the homes of those nearest and dearest to him—all this must be realized against the background of silence, sleeplessness, hunger, cold. These proceedings lasted seventy days, during which the prisoner was interrogated 141 times, for periods varying from three to fifteen hours without respite.

The man who went through this torture and escaped to tell the tale expresses the opinion that these methods, if carried on for a long enough time, will break down even the strongest. Sooner or later men will react to it like the animals in Pavlov's experiments: when the bell rings their mouths will water—or, *mutatis mutandis*, when the question is asked they will give the right answer. For his part, he says, he was fortunate in that he could not reveal the addresses of those dear to him, and perhaps also because the prosecution did not have the time to delay the trial any longer.

It may be argued that all this evidence comes from those who are necessarily antagonistic to the Soviet régime. But their evidence is detailed, circumstantial. There is one way in which the Soviet Government and its satellites could refute it—by abolishing the secrecy that surrounds the prisoners during the preliminary examination, by throwing open to the eyes of the world the gaols and 'labour camps'. This they will not do. If one accepts the evidence given here—which is a small but convincing part of the mass of evidence that could be, and ought to be, assembled and sifted—the conclusion one must reach is clear. The only means that could be effective in obtaining confessions from all those who have been accused over the years—from Old Bolsheviks to criminal adventurers, from leaders of the Polish underground to leading members of the Catholic and Protestant Churches—must be through some force working upon a factor common to them all, in spite of the diversity of their political philosophies and their social backgrounds. The factor common to them all is, quite simply, that they were human beings, with the nerves and sensibilities of human beings. The explanation of the force that worked upon this common factor lies in the grim and terrible word that we shrink from using—torture. It is the only word that fits. But we shrink from using it, because we associate it with the rack and the thumbscrew, with a barbarous age alien and abhorrent to us, and because we do not want to believe that there exist upon the earth such laboratories as the Lubianka Prison, where the human soul can be broken down and remoulded to serve political ends.

H. D.

NORWAY AND THE ATLANTIC PACT

ON 3 March, in secret session, the Norwegian Storting decided by 118 votes to 11 to accept the invitation to take part in the preliminary talks on the Atlantic Pact in Washington, and to reject the Soviet offer of a non-aggression pact. The minority vote was entirely Communist. Norway has thus abandoned her traditional policy of neutrality, and has brought the boundary of the Atlantic Union to the frontier of the U.S.S.R. These two momentous decisions were the climax of two months of searching thought about Norway's path in world affairs, and of intense diplomatic activity. For during the short space of two months Norway was forced to choose irrevocably between three different paths: the path to the West—an Atlantic Pact; the path to the East—a non-aggression pact with the Soviet Union; and the middle way—a neutral Scandinavian Defence Pact.

The final choice was not an easy one. There is no doubt that Norway belongs to the Atlantic community, both because of her long coast-line and sea-faring traditions, and because of her faith in democratic parliamentary institutions. But she has a common frontier with the Soviet Union, and has long enjoyed good relations with her powerful neighbour. The decision to reject the offer of a non-aggression pact was bound to be regarded by Moscow as a hostile gesture, resulting perhaps in increased pressure on Finland and in further difficulties for Sweden in her attempts to remain neutral. It has already prompted a Finnish Communist paper, *Tyokansan Sanomat*, to describe Norway's action as unfriendly, even against Finland, and one which throws the shadow of war over the whole north. Nevertheless, the rejection of the pact was almost automatic from the time of its offer on 5 February. The Norwegian leaders had expected such an offer ever since the Finnish non-aggression pact was concluded in April 1948, and had made up their minds then that they would not go to Moscow. The very sound of a non-aggression pact was ominous in the ears of Norwegians. They recalled Hitler's non-aggression pact with Denmark, one month before Denmark was invaded. They recalled Russia's previous pacts with Estonia, Latvia, and Lithuania, and, more recently, with Finland. Nevertheless, the terms of the Norwegian reply to Moscow were as friendly as a negative reply could be. The rejection was based on the assertion that a non-aggression pact was superfluous between two members of the United Nations who were pledged by the Charter not to attack each other. The decision to take part in the talks on the Atlantic Pact was explained as a purely defensive measure, and the friendly

feelings of Norway towards the Soviet Union were stressed at the end of the note.

The reply, in fact, is friendly in form, but, as Moscow is well aware, it springs from a fundamental change of opinion during the last three years. The simultaneous rejection of a non-aggression pact and participation in the Atlantic Pact talks reflect Norway's recognition of the division of Europe, and of the urgent need of the West to organize in self-defence against any further Russian expansion of whatever kind. These two moves make it clear beyond any doubt that Norway knows that her interests lie with the West. Three years ago such declarations would have been unthinkable.

In 1945 Norway placed all her hopes of world peace in the continued co-operation of the United States, Great Britain, and the Soviet Union, within the framework of the United Nations. She had strong ties with all three countries, and no desire to be forced to take sides between them. There was, in particular, a deep feeling of admiration and friendship for the Soviet Union, which was strengthened by the victories of the Red Army during the war. The Labour Party, since 1935 the strongest in the country, had long looked to Russia as the Fatherland of the workers, and as the pioneer in the building of a Socialist society. Any action taken by the Labour Government which might have seemed hostile to the Soviet Union would have met with strong opposition from the Government's own supporters.

But three events have since served radically to change the climate of opinion. The first was the publication in January 1947 of the negotiations between the Norwegian Government and the Soviet Government over the joint defence of Svalbard (Spitsbergen). In 1944 the Norwegian Government had indicated that it was prepared to sign a joint declaration stating that the defence of Svalbard was the common concern of the two Governments. This was at the time when Soviet troops were stationed in Eastern Finnmark (Northern Norway), and it was of vital importance to the Allied war effort that the Arctic convoy route to Murmansk should be kept open. The Soviet interest in the defence of Svalbard was therefore conceded as legitimate at that time by the Norwegian Government in exile. But the German collapse came before any declaration was signed. Then suddenly later, in 1946, the Soviet Government expressed a wish to conclude the agreement which had already been reached in principle. The Norwegian Government promptly refused, stating that the international situation had changed since the declaration was drawn up and that the opening of negotiations with any single foreign Power concerning the defence of a region under Norwegian sovereignty would be

contrary both to the terms of the international treaty of Spitsbergen of 1920, to which the Russians later adhered, and to the foreign policy pursued by the Government since the liberation. As a result, the Soviet Union dropped the question of Svalbard. But the publication of the negotiations, which had taken place in secret, roused deep uneasiness about Soviet intentions. Friendly though their feelings might be towards the Soviet Union, the Norwegians found it difficult to see what possible reason the U.S.S.R. could have for wishing to establish a military base on Svalbard, if Russian motives were entirely peaceful. For the first time they began to see, perhaps dimly, their exposed position in the cold war. A year later two events followed in rapid succession which sharpened their sight and hardened their attitude to the Soviet Union: the Communist *coup* in Czechoslovakia, and the Soviet request to Finland for a mutual assistance and non-aggression pact.

The Czech *coup* acted as an electric shock throughout Norway. Developments in Eastern Europe had hitherto produced no marked reaction there, while all energies were concentrated on home affairs and post-war reconstruction. Even the attacks on the freely-elected Hungarian Smallholders Government, coming as they did after the Svalbard revelations, had made no great impression. There were two reasons why the Czech developments struck so deep. The first was a reaction common throughout Western Europe. A country where stable parliamentary democracy had been firmly established before the war, and where a genuine coalition Government with strong ties with the Soviet Union was in power, with Communists in key positions fairly won in free elections, was nevertheless convulsed in a Communist-staged *coup*, designed to give the Communists absolute power. This reversal seemed to prove that nothing less than a total Communist dictatorship, subservient to the Soviet Union, would satisfy Moscow. Ordinary friendship was not enough. And there were no illusions in Norway about the part played by the Soviet Union behind the scenes in engineering the crisis. The shock thus produced was felt the more keenly because Norway had had a close community of feeling with Czechoslovakia ever since Bjørnson, the great Norwegian nineteenth-century poet, had compared Norway's struggle for independence from Sweden with the Czech struggle against the Hapsburgs. One outcome of this tradition had been a Czech-Norwegian cultural agreement before the war.

In March 1948, immediately after these developments, the drama moved nearer home, this time to Finland. Here the Norwegians watched anxiously the negotiations for a non-aggression pact. The comparatively mild terms finally agreed slackened the

tension in Norway, but they did nothing to dispel a deep uneasiness that Norway might be next on the list for attention, an uneasiness increased by a 'nerve war' directed by Moscow radio and press at Norway herself. It was then that the Government decided that they would sign no non-aggression pact. Thus in three years the Soviet Union has killed stone-dead almost all feelings of friendship and admiration in Norway, and has created in their stead fear, coupled with a determination to resist all Soviet demands and to strengthen the Norwegian defences. Today the Communist Party alone remains to champion the Soviet Union. At the Labour Party Congress in February no resolution was put forward in favour of a non-aggression pact with the U.S.S.R. Only 35 delegates, out of 384, voted against participation in the Atlantic Pact and in favour of continued neutrality. Faced with this overwhelming vote the minority were persuaded to withdraw their resolution. The Congress then passed unanimously a resolution in favour of the Atlantic Pact.

The decisive rejection of the non-aggression pact was due in part to the desire to prevent Soviet intervention in internal affairs and the possibility of a *coup* similar to that in Czechoslovakia. It has been paralleled by an equal vigilance over Norwegian internal political life. There is in fact little danger that the Communists might undermine parliamentary government from within. They hold 11 of the 150 seats in the Storting, compared with Labour's 76, 25 Conservatives (Høire), and 20 Liberals (Venstre). It is probable that the elections this year will bring defeat for the Communists in many of their constituencies. Nevertheless, one of the first acts of the Government and the Storting, after the events in Czechoslovakia and Finland, was to create a special all-party foreign affairs parliamentary committee, to be summoned in any crisis, which carefully excludes all Communist members. (It was this committee which, after secret discussion with the Government, recommended to the Storting the rejection of the non-aggression pact and participation in the Atlantic Pact talks.) The danger to Norway, therefore, if danger there is, is not of an internal *coup*, but of actual aggression. In the face of such a threat, what can a nation of only three million do? The negative decision to reject a non-aggression pact is one that Sweden might repeat under similar conditions. But in the positive step, that of joining an Atlantic Pact, Norway has undertaken a major change in her foreign policy, to which Sweden is as yet opposed. What are the reasons for this divergence between the two major Scandinavian countries?

The experience of the last war taught the Norwegian Government two things. Neutrality is no safeguard, and the countries of

Western Europe, including Great Britain, are not strong enough to guarantee Norway's long coast-line, or, in the event of occupation, to liberate her. Nor can they provide arms and military equipment on the necessary scale. The Government therefore concluded that, so long as the United States is unable to provide real collective security, they must seek outside help, help greater than that which Western Europe alone can provide. This realistic appraisal of Western European strength accounts for Norway's lack of response to the concept of Western Union, as expressed by the Brussels Treaty. Only two countries are of major importance to Norway in defence policy: the United States, as the only world Power strong enough to provide assistance on an adequate scale, and Sweden, because of their long common frontier. Of the two, the United States is inevitably the more vital factor.

Unfortunately for Norway, the last war did not lead the Swedish Government to draw the same conclusion as the Norwegians about defence policy. On the contrary, the success of neutrality in two major wars encouraged the Swedes to believe that the same policy might work again in her favour, at any rate as a temporizing expedient. Also, the Swedes consider that any departure by them from neutrality would make Finland's position more precarious, a situation they wish to avoid at all costs. Faith in neutrality as a permanent safeguard is indeed wavering in Sweden. But a belief remains that such a policy can buy valuable time in the event of war. Meanwhile, the Norwegian leaders have devoted much time during the last year to persuading the Swedes to change their minds, or at least to co-operate in a Scandinavian Defence Pact. The talks on this subject in January failed. But they revealed the extent of the influence which Norway, and to some extent Denmark, have had on Sweden. For Sweden was clearly prepared to depart from pure neutrality to the extent of joining a Scandinavian Defence Pact, provided with arms by the United States, but otherwise independent and 'neutral'. There was a good chance for a short time that this formula (devised by the Danish Government, anxious at all costs to preserve Scandinavian unity) might close the gap between Norwegian and Swedish policy. For it satisfied both the Norwegian desire for American military aid and Sweden's desire to remain neutral. The attitude of the Swedes was here revealed as curiously ambivalent. They desired neutrality, yet they were prepared to take arms from the United States, an action guaranteed to be regarded as thoroughly un-neutral by Moscow. But this solution was short-lived. The United States let it be known that no arms would be available for any group outside the proposed Atlantic Pact. That finished the Scandinavian Defence Pact for Norway, and left her with only one alternative: the Atlantic Pact.

It seems probable that this firm stand by the United States was designed to reinforce Norway's desire to join the Western alliance. The idea of an Atlantic Pact has appealed to Norway strongly from the beginning. It provides the military equipment needed, and links Norway with like-minded nations in a strong collective security organization designed to maintain peace. In a recent debate in the Storting, Hr Lange, the Norwegian Foreign Minister, declared: 'Hr Vogt (Communist) says it is curious to talk of regional co-operation across the Atlantic. The people of Norway have the best of reasons for knowing that the ocean connects, not separates. Therefore it is natural that we should want to be linked with people with whom we share opinions about human rights and dignity, faith in our privilege to say and think what we like, and faith in real democracy. Therefore this regional co-operation is natural to us.' It is, indeed, almost a Norwegian proverb that the land divides, the sea unites; this feeling is born of Norwegian experience in history, when conquest has invariably come from the Continent, whether Swedish, Danish, or German, and never from the countries west across the ocean. Nevertheless, Norway has moved cautiously towards any commitment to join the Atlantic Pact. Hr Lange first visited the United States in February to ascertain exactly what military equipment might be expected, what guarantees of military assistance would be forthcoming, and what obligations Norway in her turn would have to undertake. The Norwegians have made one major stipulation: they will not provide bases for other Powers on Norwegian territory in peace-time. Hr Lange was able to return to Oslo with a guarantee that no promise to provide bases would be expected of any Atlantic Pact Power. But it is significant that the phrase used in replying to the Soviet Union on this point runs: 'The Norwegian Government will not . . . grant bases for foreign military forces on Norwegian territory as long as Norway is not attacked or *subjected to threats of attack*'. Here is clearly a wide latitude for interpretation, possibly covering the contingency of a Russian military occupation of Finland. The reply goes on: 'It [the Norwegian Government] desires, moreover, to state that the appraisal of factors pertaining to a possible threat of attack against our country in no instance will be built on loose and provocative rumours. Facts alone will form the basis for deciding which steps shall be taken in defence of our land.'

Hr Lange was not able to obtain any hard and fast information in Washington on the two other points of paramount importance to Norway: the amount of military equipment available, and the nature of military guarantees. The amount of equipment inevitably depends on the American supplies available and the number of

other claimants participating in the Pact. By deciding to join in the preliminary talks, the Norwegians clearly hope to be able to put forward very strong claims to priority in view of their exposed position and their own relatively weak supplies. They will also stress that by rejecting a Scandinavian Defence Pact they forego the possibility of immediate Swedish aid, for which they will need compensation. The difficulties facing all participants in the matter of military guarantees of assistance lie in the terms of the American Constitution. An automatic commitment to go to war cannot be written into an American treaty, and, as is well known, the Senate alone has the power to declare war. But it seems clear at the time of writing that the United States Government and Congress have found a formula that gets over this difficulty without infringing the Constitution.

Norway, meanwhile, has not neglected her own defences. During 1948 two extraordinary defence Budgets of £5,000,000 and £5,600,000 were voted in addition to the normal military Budget. A territorial force of 120,000 men has been created, and the chief airport on the west coast at Stavanger is being enlarged. These measures constitute a serious drain on the country's economy. They have only been undertaken with reluctance in view of the deteriorating international situation, which revealed Norway's dangerously exposed position. But for the growing tension between East and West, there is no doubt that Norway would have maintained her traditional neutral position and would have devoted all her energies to peaceful reconstruction of her war-shattered economy. But, to quote the Norwegian Ambassador to Washington: 'We do not believe that neutrality has any relation to the facts of life'. Norway faces the facts.

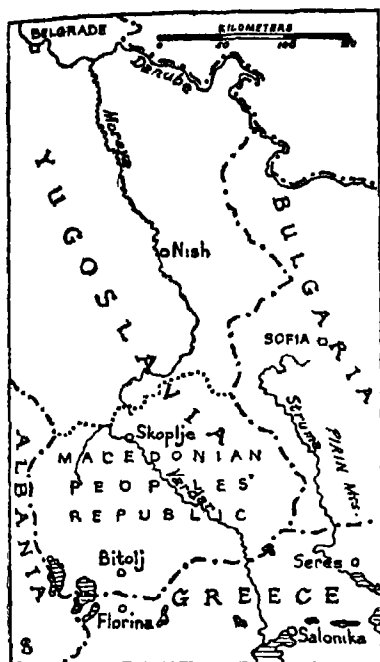
A. W.

MACEDONIA

OLD ANIMOSITIES RENEWED

DURING a period of nearly four years, from the autumn of 1944 to the summer of 1948, Communist leadership in the Balkans appeared to have brought about a great improvement in the relations between Governments in that region, excluding, of course, the régime in Greece.

Stalin, himself the recognized Soviet authority on the nationali-

ties question, presumably never believed that his formula of 'national autonomy, including the right of secession' would automatically solve all problems, even when applied in conditions approaching the dictatorship of the proletariat. But the improvement seemed to have been due in considerable measure to the application of Marxist-Leninist principles to disputed areas and national minorities. Particularly in South Slav Macedonia, for over fifty years the cause of bitter quarrels and bloodshed between Yugoslavia and Bulgaria, a satisfactory interim solution had apparently been found which was preparing the way both to lasting peace in Macedonia and to South Slav union.

The break between the Cominform and the Yugoslav Communist Party in June 1948 put a sudden stop to this whole development. The underlying quarrels, which for nearly four years had been suppressed or concealed, were flaunted before the world for propaganda purposes. And fresh quarrels broke out. As Mosa Pijade, one of the veterans of the Yugoslav Communist Party, speaking at the Serbian Communist Party Congress in January 1949, declared: 'At the end of the second world war, the Balkan peoples at last had all the necessary conditions for realizing their aspirations for brotherly rapprochement and even unification. The basic internal force in the Balkans, which created these conditions, was our people's revolution. Relations among the Balkan peoples became so close, even without a formal federation developing, that the creation of a federation seemed only a formal act. And now this, the greatest achievement of the Balkan peoples, which cost so many lives, has been endangered and is being ruthlessly broken up. And all this is happening when the Communist parties are in power in their countries.'

It may be unfair to conclude from the sudden unearthing and violent brandishing of the Macedonian hatchet that the whole Communist attempt to solve the nationalities problems of Eastern

Europe has been only superficial and has achieved nothing. Th
present situation may only be a brief and temporary reversion t
old Balkan habits of thought and action. The main process o
education in amicable relations may go ahead. But the recen
history of Macedonia is not reassuring.

Until the Balkan Wars of 1912–13 Macedonia was unde
Turkish rule, or misrule. Subsequently the major part (now ofte
called Vardar Macedonia, with a population of something ove
1 million) went to Serbia, and the much smaller eastern part (nov
called Pirin Macedonia, with a present-day population of 240,000
went to Bulgaria. When Yugoslavia was created after the 1914–1
war Bulgaria's share became a little smaller still. Between the tw
wars neither Yugoslavia nor Bulgaria granted any sort of forma
autonomy to its section of Macedonia. In the twenties and earl
thirties successive Bulgarian Governments encouraged or tolerate
komitadji raids from Bulgaria into Yugoslav Macedonian territory
and Bulgarian Macedonia was allowed a good deal of entirel
unofficial self-rule.

Between the wars the Macedonian Communist Party seem
to have hung in mid-air somewhere between Sofia and Belgrade
It was probably in practice considerably closer to the Bulgaria
Communists, and its basic directives may well have come direc
from Moscow. One of its foremost personalities, Dimitar Vlahov
now a leading member of Marshal Tito's Government, had earlie
been a member of the pro-Bulgarian Internal Macedonia
Revolutionary Organization, and was at some period during th
thirties a Deputy in the Bulgarian Parliament. Whatever th
exact status of the Macedonian Communists, the long-tern
Moscow plan seemed to be that there should be an autonomou
or independent Macedonia, with greatly enlarged frontiers, withi
a Balkan Union of Soviet Republics.

Then the war came. According to Lazar Kulishevski, nov
Prime Minister of the (Yugoslav) Macedonian People's Republic
what happened was this. On the eve of the combined Axis attac
on Yugoslavia in April 1941, the Macedonian Communist Part
took up a neutral or passive attitude and offered no resistance t
the Bulgarian occupation of Yugoslav Macedonia. In May 194
the Party leader, Sharlo, went to Sofia and joined the Bulgaria
Workers' (Communist) Party. According to another leadin
Yugoslav Macedonian, General Svetozar Vukmanovic, th
Bulgarian Communist Party went so far as to approve the Bulgaria
annexation of Macedonia, and tried 'illegally' to incorporate th
Macedonian Communist Party within itself.

The decisive change in Communist policy came in August 1941
Then—presumably because the Yugoslav partisans under Tit

had already shown themselves capable of organizing armed resistance to the Germans—the Comintern (according to Kulishevski) decided that the Macedonian Communist Party was to join the Yugoslav Communist Party. A new Macedonian Regional Committee was formed 'to start the struggle against the occupier'—the Bulgarian Army and the organs of King Boris's Government.

This new development obviously met with small enthusiasm from the Bulgarian Communist leaders. Kulishevski alleged last December—and he does not seem to have been contradicted—that as late as 1943 the Communist-led Bulgarian Fatherland Front published a document describing Macedonia as 'the cradle of Bulgarian nationhood, for which Bulgarians have shed rivers of blood'. This may or may not be true, but it would certainly have lost the Bulgarian Communist Party support, which it badly needed, if it had taken an outspokenly pro-Yugoslav attitude over the Macedonian question. At that time almost every Bulgarian, whether Communist or non-Communist, thought that his country had every right to Yugoslav Macedonia. Up till the closing stages of the war in the Southern Balkans Moscow propaganda was calling on Bulgarians to 'withdraw from Serbia'—not from 'Yugoslavia'—which left the question of Yugoslav Macedonia conveniently open.

At the same time—according to Svetozar Vukmanovic—the Bulgarian Communist Party 'constantly tried to interfere in the affairs of the Macedonian Communist Party', claiming that 'conditions for the struggle' did not exist, since the Macedonian population still had 'illusions about the liberating mission of the Bulgarian Army of King Boris'.

Nevertheless, the Macedonian partisan movement, organized under Tito's ultimate leadership, embarked not only upon guerrilla warfare, but also on open or underground political and cultural activity. It gained a definite political status when, at the wartime sessions of the Yugoslav Anti-Fascist National Liberation Council (AVNOJ), Macedonia was represented by Dimitar Vlahov, who became one of the Vice-Presidents of the Council. By the time the first Anti-Fascist Assembly of National Liberation of Macedonia (ASNOM) met in August 1944 Vardar Macedonia was firmly established as one of the six People's Republics of the new federal Yugoslavia. ASNOM proclaimed the 'liberation and equality of the Macedonian peoples within the frontiers of Yugoslavia'. By that time, also, the Macedonian Communist Party was already beginning to publish its newspaper *Nova Makedonia*, and leaflets in the Macedonian language—a literary Slav tongue quite different from both Serbian and Bulgarian.

Meanwhile relatively little had been happening in the way of

'national liberation' in Bulgarian Macedonia, although both th
Yugoslav Macedonian and the Serbian partisan commands ha
contacts with the main, relatively small, Bulgarian partisan move-
ment, and, according to their own account, were trying to stimulat
its activity.

On 9 September 1944 the Fatherland Front seized power i
Bulgaria, which became the ally of Russia and of Marshal Tito
Immediately—so a Bulgarian Macedonian Communist, Georg
Madolev, recently declared—the (Yugoslav) Macedonian Com
munist Party called on the (Bulgarian) Pirin Macedonians to form
a 'Macedonian Brigade' which was to be armed with equipmen
taken from two regular Bulgarian infantry regiments. This wa
apparently done, without the knowledge or approval of the nev
Fatherland Front Government in Sofia.

The whole Macedonian situation was at that moment obviousl
extremely fluid and potentially dangerous. The (Yugoslav
Macedonian Communist leaders, in the first flush of enthusiasm
were quite capable of trying to 'liberate' and absorb Bulgaria
Macedonia in their own nascent People's Republic on the spot
In mid-September an emergency meeting was called, on Bulgaria
soil, of the Yugoslav Macedonian Communist leaders and th
Bulgarian Communist Party Central Committee, to stabilize th
situation. According to Vukmanovic, agreement was reached tha
the new Bulgarian Government was to give Pirin Macedonia no
only cultural but also administrative autonomy within the frontier
of the Bulgarian State. This move was to prepare the way for th
final union of Pirin Macedonia and Vardar Macedonia 'whe
conditions are right for it'—that is, when the question of Sout
Slav (Yugoslav-Bulgarian) federation became actual.

At the same time the local Communist leaders of Pirin Mace
donia were called to heel. Probably at the same meeting in Septem
ber 1944 they were, according to Georgi Madolev, warned b
Comrade Vladimir Poptomov, a member of the Bulgarian Politbur
and himself a Macedonian, that there must be no attempt to fus
Pirin Macedonia with Vardar Macedonia.

Shortly after, on 5 October 1944, there was a meeting on
higher level, between Tito himself and the new Bulgarian com
mander-in-chief, the veteran Communist Dobri Terpeshev. Th
first formal agreement between the new Yugoslav and Bulgaria
Governments was made. There was to be full military collabora
tion against the Germans, and all questions of neighbourly rela
tions were to be solved 'in a brotherly spirit and in the genera
interests of the peoples of Yugoslavia and Bulgaria'. So th
situation was stabilized.

Nevertheless it seemed possible at that moment that the tw

countries might federate very quickly. It was at the beginning of 1945, according to a recent speech by Aleksander Rankovic, secretary of the Yugoslav Politburo, that the Yugoslav leaders 'offered the Bulgarian leaders union on the basis of Bulgaria's becoming one of the republics of a new South Slav State'. Thus Bulgaria would in effect have become the seventh, if considerably the largest, People's Republic of Yugoslavia. The Bulgarians replied that they preferred a union between Yugoslavia, as one entity, and Bulgaria as another, so that they might retain more of their dignity as a State with historic traditions of its own.

The question went to Moscow. Stalin, according to Rankovic, first inclined to the Bulgarian view; 'but when he was told that, for example, Serbia and Montenegro also had their individual State traditions no less than Bulgaria, and that in the new State they would enjoy special privileges,' Stalin agreed to the Yugoslav idea. (Rankovic imputes a certain forgetfulness to Stalin, who in 1926 had spoken and written as an expert on the nationalities problem in Yugoslavia). So, with Stalin's blessing, federation might have been achieved as early as 1945.

At this juncture the British Government, presumably believing that South Slav union would be a threat to Greece, intervened strongly; and Tito himself was reported to feel that Yugoslav popular resentment over the Bulgarian war-time occupation of Yugoslav territory could not be wiped out so quickly. Federation was deferred to an indefinite future.

On the Bulgarian side, Petko Stainov, the Fatherland Front's first Foreign Minister, constantly asserted during 1945 that his Government's policy was to permit a plebiscite in Pirin Macedonia on the subject of union with Yugoslav Macedonia, according to the principle of self-determination, whenever this should be demanded by the population. 'But,' he said once to a British journalist, 'I can tell you confidently that if a plebiscite is held, the vote will not go in favour of Yugoslav Macedonia.' Meanwhile, he declared, Bulgarian-Yugoslav federation would be reached by gradual stages, through a trade treaty, a treaty of alliance, and later a Customs Union.

The Bulgarian leaders did very little about the interim grant of autonomy to Pirin Macedonia. The area certainly got no sort of administrative self-government, and there was little trace of any cultural autonomy up till the moment when (Yugoslav) Macedonian teachers were allowed to enter three years later.

So from the beginning of 1945 until mid-1947 there was a lull, during which the (Yugoslav) Macedonian People's Republic consolidated itself, propagated its new literary language, and built up its own system of Macedonian schools. The new republic had

plenty of internal problems of its own, including the Albanian and Turkish minorities, to keep it busy. Outside its frontiers, it was more interested in the Slav minority of Greek Macedonia and the Greek civil war than in Pírin Macedonia.

During this lull friendship seemed steadily to grow between the new Governments of Yugoslavia and Bulgaria, with relatively little dissent from public opinion. Only the Bulgarian Opposition parties, in the period before their newspapers were finally suppressed, sometimes dared to say openly that they regarded the Macedonian question as still unsettled, since the principle of self-determination had not been applied and the population of Yugoslav Macedonia had not been consulted. For this the Opposition leaders were sternly reproved by the Fatherland Front, and warned that such statements were violations of the Bulgarian armistice terms, if not treason.

In the summer of 1946 the Fatherland Front Government went out of their way to round up a number of members of the old Internal Macedonian Revolutionary Organization, who were still living underground in Sofia and the countryside, and put them in prison. This was done by order of the Communist Minister of the Interior, Anton Jugov, who himself was a Macedonian and had once belonged to I.M.R.O. The gesture was presumably designed to please Yugoslavia.

The next big step forward came in August 1947, when the Yugoslav and Bulgarian Communist leaders met in Bled. The publicly announced terms of the Bled Pact provided for virtual abolition of the Yugoslav-Bulgarian frontier, elimination of entry and exit visas, and joint arrangements for property ownership along the frontier. There was also to be preparation for an eventual Customs Union. Yugoslavia renounced reparations from Bulgaria. The secret clauses of the Pact, not disclosed until after the Cominform-Tito dispute, provided among other things for the entry of schoolteachers and booksellers from Yugoslav Macedonia into Pirin Macedonia, where they were to be allowed free activity.

Three months later, in November 1947, Yugoslavia and Bulgaria concluded a treaty of friendship. Marshal Tito visited Sofia and was received with an enormous show of public enthusiasm. On that occasion he said: 'We shall establish co-operation so general and so close that federation will be a mere formality.' Two months later again, in January 1948, Georgi Dimitrov, the Bulgarian Communist leader, was reproved by *Pravda* for speaking of the prospect of wider federation in Eastern Europe. But this reproof does not seem to have held up the moves which were being made by Bulgaria and Yugoslavia towards federation of the two countries.

Nevertheless, though nothing was said publicly until later on,

the arrival of the (Yugoslav) Macedonian teachers and booksellers in Pirin Macedonia probably led to friction pretty soon. On their side they were apparently quick to protest that the Bulgarian Government had not granted any sort of administrative autonomy to Pirin Macedonia, as had been promised in 1944, and that the region was still ruled direct from Sofia. The Bulgarian authorities and the Bulgarian-minded members of the Pirin Macedonian population, on their side, were probably equally swift to resent the Yugoslav Macedonian attempt to propagate their new Macedonian language, culture, and teaching as a substitute for the Bulgarian language and system of education.

Madolev, the Pirin Macedonian, later said that the teachers had tried 'forcibly' to impose their new language, 'although we speak Bulgarian very well', and had torn down from the school walls the pictures of Bulgarian revolutionary heroes, substituting portraits of Tito and other Yugoslavs.

Georgi Dimitrov himself, speaking at the Bulgarian Communist Party Congress in December 1948, said that the Macedonian teachers and booksellers had 'betrayed us'. They had acted, he declared, as Tito agents, fighting against everything Bulgarian under the pretence of fighting 'Greater Bulgarian chauvinism'. He claimed that they had banned all Bulgarian newspapers, including the Communist Party organ *Rabotnichesko Delo*, in the Pirin region, substituting their own *Nova Makedonia* and other publications. Dimitrov asserted, as a final insult, that they had gone round forcing people to add the Yugoslav Macedonian '-ski' termination to their Bulgarian surname endings of '-ov' and '-ev'.

If all these charges were even partly true, they were enough to arouse agitation in the breasts of any Bulgarian Government, even, apparently, a Communist one. The Macedonian teachers seem, nevertheless, to have achieved a good deal of initial local success in Pirin Macedonia. Madolev, recanting his former errors at the Bulgarian Party Congress in December, confessed: 'We allowed the Skoplje Communists to do what they wanted in the Pirin, with the result that the Pirin region became a State within a State.' He admitted that he himself had even written a letter to the Central Committee of the Bulgarian Communist Party expressing disagreement with it over the Macedonian question.

But whatever poisons were simmering underneath, on the surface all seemed smooth until in March 1948 the quarrel between Marshal Tito and the Soviet Communist Party first became acute. The sequence of events is still obscure, but it seems that, as part of the general Cominform pressure on Tito to toe the line before the quarrel went too far, the Bulgarian leaders then asked the Yugoslav leaders to redefine their attitude on federation and the

Macedonian problem, and urged an 'immediate solution'.

The Bulgarians got an answer which they later—after the quarrel had come into the open—declared unsatisfactory. They then alleged that the Yugoslavs had tried to postpone the whole question of federation, and at the same time had betrayed their intention of trying to annex Pirin Macedonia in advance of federation. This, of course, was described as 'sabotage'. According to the subsequent Yugoslav version, the Yugoslav leaders naturally said that they wanted federation, as planned, in due course; that the union of Pirin and Vardar Macedonia should only take place within the framework of such a federation; and that meanwhile, as a preparatory measure, the Bulgarian Communist Party should, on the basis of Marxist-Leninist principles, grant full national rights to the population of Pirin Macedonia. Or, as Aleksander Rankovic said more briefly, 'How could we enter a federation when the Bulgarian Central Committee, without even trying to establish the truth, joined from the very outset in the monstrous and slanderous charges against our party and our country?'

Whatever the accuracy of either version, the status of Pirin Macedonia was obviously the immediate issue at stake. It would however be quite wrong to suppose that this wrangle was in any way the main cause of the breach between the Cominform and Tito. It was at most a contributory factor, even though it was later blown out to vast proportions in the propaganda of Sofia and the counter-propaganda of Belgrade.

Once the dispute between the Cominform and Tito came into the open in June 1948, the whole painfully built structure of Yugoslav-Bulgarian friendship and Macedonian settlement quickly collapsed. On 30 June the Yugoslav Communist Party programme was still calling for 'closest collaboration with Bulgaria and Albania, to develop conditions suitable for the union of the three countries'. But anti-Tito propaganda in both these neighbouring countries developed so quickly that by 12 July the (Yugoslav) Macedonian Communist Party issued a statement accusing them of 'aggressive nationalism'. On 22 July the Bulgarian Communist Party made a declaration that the Yugoslavs had constantly violated the Bled Pact, that the Yugoslav Macedonian leaders had stirred up anti-Bulgarian feeling inside Bulgaria, and that they had aimed at setting up an autonomous Macedonia 'under American imperialist leadership'. 'Illegal' frontier traffic, the Bulgarian statement said, must stop; and the idea of Pirin Macedonia joining Yugoslav Macedonia could only be considered if Yugoslavia 'remained faithful to the Socialist International'.

On 11 August it was announced that the Yugoslav Macedonian teachers and booksellers had been expelled from Pirin Macedonia.

Violent controversy started over their past activities. Yugoslav propaganda began to take up the cause of the 'oppressed' Pirin Macedonians. On 5 September the Yugoslav Communist Party newspaper, *Borba*, published a letter, stated to be from a group of Pirin Macedonians, accusing the Bulgarian authorities of carrying out a 'pan-Bulgarian' policy against them. On 2 October Dimitar Vlahov himself wrote to *Borba* accusing Bulgaria of suppressing the national rights of 240,000 Pirin Macedonians.

In December came the Congress of the Bulgarian Communist Party in Sofia and the first Congress of the Macedonian Communist Party in Skoplje. In January 1949 there was the Congress of the Serbian Communist Party in Belgrade. All these provided loudspeakers for detailed and often very bitter accusations and counter-accusations about the whole history of relations between the Yugoslav and Bulgarian Communist Parties, Yugoslav-Bulgarian federation, and, above all, the Macedonian problem. The work of over four years seemed utterly undone. Apart from the important fact that a Macedonian People's Republic, with wide administrative and cultural autonomy, was in existence within Yugoslavia, things seemed rather worse than at the time of 'liberation' in 1944.

The future also looks obscure and rather dark. While Yugoslavia is now too isolated to achieve anything by fishing in the troubled water of Pirin Macedonia, the Bulgarian leaders may think it well worth while to try to subvert Vardar Macedonia. A pro-Cominform coup in Skoplje, detaching the Macedonian People's Republic from Yugoslavia and perhaps merging it in a Great Macedonia stretching to the Aegean, would be a very serious blow to Marshal Tito.

Already in February 1949 there were signs that a move of this kind was being prepared. The N.O.F., the Communist organization of the Slav Macedonian minority of Northern Greece, proclaimed a programme of 'the union of the Macedonian people in a single uniform independent Macedonian State in the framework of a Federation of Balkan Peoples' Republics'. The Yugoslav Communist leaders, in particular Mosa Pijade, were quick to interpret this programme as a Bulgarian-inspired threat to Yugoslav Macedonia.

So the world is today presented with the spectacle of Communist Governments exploiting the nationalities problem to open up fresh sores, instead of healing old sores by the principle of self-determination.

E. B.

WESTERN UNION

1. POLITICAL ORIGINS

THE idea of Western Union has many facets. Ideologically it assumes certain conceptions of human rights, constitutional traditions, and the rule of law. With this assumption goes a belief in political and ideological toleration. Constitutionally speaking, these ideas are the foundation of Western democracy, and demand responsible government. They are threatened by the materialist creed dominant in the Kremlin and widespread elsewhere. The preamble of the Brussels Treaty, therefore, defines these 'Western values'.

Western Union is also an answer to a military threat. Here the idea of European unity, as expressed at Brussels, leads naturally to a North Atlantic Pact, as the five Foreign Ministers proclaimed on 26 October 1948.

Finally, Western Union is a drawing together of peoples who are aware that separately no country in Europe can recover from the effects of the last war. This is the economic aspect of the problem, and shows Europe responding to the generosity of the Marshall Plan, making an experiment in co-operation between the nineteen Governments of the Organization for European Economic Co-operation.

The idea of European unity is not new. Under the name of Christendom it was common currency in the Middle Ages. It was given logical, if quaint, expression by Dante in his treatise on Monarchy. But there was no political unity of Europe in the Middle Ages: only commonly accepted beliefs and values, and a conception of society held more or less in common. Generally speaking, the idea is stressed whenever wars or disturbances have upset the life of Europe beyond measure—the wars of religion in the latter half of the sixteenth century being followed by the 'Grand Design' of Henry of Navarre's Minister Sully; the wars of the French Revolution by the 'Holy Alliance'; the war of 1914–18 by the League of Nations. As Europe began to drift apart, M. Briand proposed his United States of Europe in 1929–30. It was inevitable that movements for a united Europe, or even a united world, should increase in force with the second World War.

The first of these later movements, in time, if not in effectiveness, is the European Parliamentary Union. It aims at a modified form of federal government for Europe. In the first instance, 'Europe' would include the Marshall Aid countries. The movement strongly advocates a European Assembly, elected by the legislatures of each country, every million inhabitants to be repre-

sented by two members of the Assembly. To encourage the very small States and to lessen the fear of being swamped by Germany, no State should have less than six or more than forty representatives. The Assembly would draw up a Constitution for Europe. As its name implies, the E.P.U. concentrates on winning the support of Parliamentary representatives with the object of converting a majority in each legislature. Members of Parliaments from twelve countries at present belong to it. Thus Union would come by a simple democratic process. The movement has progressively become more practical and less impatient, as may be seen by comparing its two Conferences, at Gstaad in 1947 and at Interlaken in September 1948. But it still sees the future in terms of plans and constitutions, as witness the introduction to its Interlaken Plan for a European Assembly and a Constitution for Europe. 'Although charged with the administration of the European Recovery Programme, the Council and the Executive Committee [of O.E.E.C.] are powerless to demand anything of any individual State . . . Without sovereignty, which is an essential condition of Union, the Organization . . . cannot direct the economic recovery of Europe . . . Some Union of Europe is therefore required.'

Five other movements originating in different countries have lately agreed to affiliate in the current 'European Movement', in order to co-ordinate on an international level:

1. Mr Churchill's *United Europe* (all-party).

2. *United Europe's* French counterpart, *Le Conseil Français pour l'Europe Unie*, under M. Herriot (all-party).

3. *The Economic League for European Co-operation*, or the *Ligue Indépendente de Co-opération Européenne*. The Chairman is M. Van Zeeland, with Sir Harold Butler Chairman of the British branch. It numbers among its members many well-known economists (all-party).

4. *Les Nouvelles Equipes Internationales*. These are Christian Democrats, and Christian Democrat parties play an important role in Europe.

5. *The European Union of Federalists*. This, too, is all-party. It is under the presidency of the Dutchman, Dr Henri Brugmans. A comparison between its pronouncements at its conference in Rome in November 1948 and those made in the summer of 1947 at Montreux shows a growing awareness of the practical possibilities of European Union, and a less rigid interpretation of 'federalism'. The ideas of these federalists could not, in fact, be held to threaten the separate identity of the various countries of a European Union.

These five societies co-operated formerly in the 'International Committee of Movements for European Unity', and convened the

Hague Congress of May 1948. This gathering was of vital importance in the history of Western Union, especially for the part played by its Honorary President, Mr Winston Churchill. It was important not in the number of ex-Prime Ministers and ex-Foreign Ministers present, nor in the number of M.P.s of all parties other than Communist, nor in the distinction of those who attended it, but because it contributed to the building up of a European public opinion. Although it was concerned with the ideological rather than the organizational aspect of Western Union, its resolutions were practical and often foreshadowed future developments in Western Union.

The Congress advocated, 'as a matter of real urgency', a European 'Deliberative Assembly chosen by the Parliaments of the participating nations from among their members and others'. At first it was expected that the members of the O.E.E.C. would be the countries attending the Assembly, and that the Brussels Powers would do the work of preparation. Senator Kerstens, of the Netherlands, handed these proposals to each of the members of the Brussels Treaty Consultative Council, and later they were adopted in a modified form by France and Belgium. As a joint Franco-Belgian proposal, put up by M. Bidault, they were submitted by the Consultative Council to a special Committee for the Study of European Unity which began its meetings in Paris in November 1948. The Committee studied the Franco-Belgian proposal, and also consulted the European Parliamentary Union and the European Movement, which submitted a new memorandum. The Committee also had before it the proposal of the British Government, which was concerned with setting up machinery to enable the Governments of Western Europe to work together more effectively. The British Government viewed a European Assembly with suspicion. Such a body, it feared, would be non-governmental, lack executive power, probably raise false hopes in Europe, and would be a hot-bed of irresponsible criticism. On the other hand, to the Franco-Belgians and the European Movement the Assembly seemed to be the essential sounding-board where European public opinion could express and form itself, free, as far as possible, from official constraint. The question remained: should there be an Assembly? And should its members represent Parliaments or Governments?

After much debate a compromise was achieved. At its meeting in January 1949 the Consultative Council of the Brussels Powers agreed to recommend the creation of a Council of Europe, consisting of a Committee of Ministers, meeting in private, and a Consultative Assembly meeting in public, with powers strictly controlled by the Committee. The Brussels Powers invited Den-

mark, Eire, Italy, Norway, and Sweden to join them in a Conference in London towards the end of March for which Mr Bevin, as host, sent out the invitations on 7 March. The date of the Conference, originally fixed for 28 March, was postponed owing to arrangements for the eventual signature of the North Atlantic Pact. It is now planned that the meeting of Ministers to draw up and approve the final text of the Constitution of the Council of Europe will be held in April. According to reports in the British and French press, the proposed seat of the Council of Europe is to be Strasbourg. The Assembly will number a hundred delegates and will hold one session a year of not more than a month's duration. One Minister will represent each country in the Committee.

Somewhat in contrast with these official negotiations, the unofficial European Movement, meeting on 25–28 February 1949, asked for an Assembly with the right to discuss 'any question of interest to the European community, and sitting for at least forty-five days a year, in two or three sessions'. It should contain 300 members, chosen 'by the various Parliaments in such a way as to represent the vital forces in each country'. Only 'true (Western) democrats' could be chosen. In addition to the ordinary members, the Assembly would be able to 'elect persons for their representative European character, including persons from the un-free countries behind the Iron Curtain'. Where what Mr Churchill described at Brussels as the 'ponderous vehicles of executive responsibility'—the Governments—could not go, the unofficial movement was free to advance and could claim to represent all Europe. And, indeed, it would seem that the chief function and justification of these unofficial movements is to think ahead of Governments, and make public opinion familiar with the proposals which Governments may later be able to make.

On the economic side it is convenient to date European economic co-operation from the Harvard speech of Mr Marshall, of 5 June 1947, although Benelux, for instance, had signed their preliminary agreement in London some time previously. The swift response of Mr Bevin and his French colleague, M. Bidault, led first to the conference of the sixteen nations in Paris (July–September 1947) and the creation of the Committee for European Economic Co-operation. At the second Paris conference this temporary Committee became the continuing Organization for European Economic Co-operation (16 April 1948). Its seat is in Paris and its organization roughly as follows:

1. A Council of Ministers, meeting every three months. Ministers can to some extent speak for Governments and make what virtually amounts to decisions. Ministerial Councils are a feature common to all aspects of the process of Western Union.

2. An Executive Committee in permanent session, the active centre of the Organization. Its Chairman is the United Kingdom representative, Sir Edward Hall Patch.

3. Numerous committees, whose members are appointed by the Executive Committee and whose function is to provide information for that Committee. Some of them are formed from representatives of countries, others from experts chosen regardless of nationality.

4. An international Secretariat, under a Frenchman, M. Marjolin.

On the American side is the European Co-operation Administration, with its Administrator, Mr Hoffman. His representative in Europe is Mr Harriman.

O.E.E.C. has two main tasks: to collect and present to E.C.A each country's detailed claims for Marshall Aid, and to work out a long-term plan for European co-operation and recovery.

In the United States, Congress makes its grants to E.C.A annually, and has to be satisfied each year by E.C.A. Each country makes its own separate agreement with the United States, promising to put its own house in order, not to over-spend or mis-spend dollars, and to give the United States access to certain strategic raw materials.

Within the Marshall Plan, and forming an essential part of it, is a European Plan. Each country, according to circumstances, gives or lends to its neighbours the same kind of aid that the United States gives or lends to Europe. The aim is that Europe should be enabled to stand by itself economically by the end of 1952. Thus the Marshall Plan is an experiment in dollar-aided European co-operation. Mutual aid and self-help are the key words on which the United States insist. And beside this aspect of inter-European co-operation, there is the aspect of American-European interdependence.

At the outset, the business of O.E.E.C. could be most efficiently carried on by senior officials; but as the problems of harmonizing long-term plans became more pressing, it became necessary for Ministers to meet more often. They alone could take decisions and were actually in their countries' Cabinets. To meet this need, it was decided on 17 February 1949 to authorize M. Spaak to summon, as Chairman, meetings of Ministers of seven other countries. This European Economic Steering Committee met for the first time on 18 February. It consisted of M. Spaak, Sir Stafford Cripps, M. Schuman, Count Sforza, M. Sadak (Turkey), M. Petitpierre (Switzerland), M. Unden (Sweden), and M. Hirschfeld (Netherlands). Sir Stafford Cripps described the Committee as a new technique in international co-operation, whereby senior Cabinet

Ministers of eight different countries may begin to work together like a national Cabinet, the personal contacts being continuous and the discussions frank and confidential. Count Sforza went further, and spoke of the 'eight' as 'a veritable European Government'. In effect, it is a practical exercise in European administration. The Committee is scheduled to meet in Paris at least every two months.

The Soviet attitude to Marshall Aid and the European co-operation it engenders was summed up with convenient clarity by M. Zhdanov at the inauguration of the Cominform in September 1947: 'As for the U.S.S.R., it will make all efforts to see to it that the [Marshall] Plan is not realized.'

Such, in outline, is the economic aspect of Western Union, but economic co-operation for European recovery would be futile without co-operation for security, and, under modern conditions, co-operation for security must go far beyond old-fashioned military pacts. The 'hard core', or small business-like beginning, of such a Union is the Pact signed at Brussels on 17 March 1948 by the United Kingdom, France, Belgium, Luxembourg, and the Netherlands The steps leading up to it are well-known.

Russian intransigence on the Security Council was an immediate factor in compelling this drive for security. Mr St Laurent expressed the state of mind of Western Europe when, addressing the United Nations Assembly on 18 September 1947, he said: 'Nations in their search for peace and co-operation will not and cannot accept indefinitely an unaltered Council, which was set up to ensure their security, and which, so many feel, has become frozen in futility and divided by dissension. If forced, they may seek greater safety in an association of democratic and peace-loving States, willing to accept more specific international obligations in return for a greater measure of national security. Such associations can, if consistent with the principles and purposes of the Charter, be found within the United Nations.'

On 22 January 1948 Mr Bevin made his famous exhortation to Europe to unite, which, on the 23rd, M. Spaak called a milestone in world history in general and in Western European history in particular. It was heartily welcomed by the State Department. Anglo-French talks followed during the last week in January. Before the end of the month the Benelux Foreign Ministers had agreed to co-operate. On 13 February Mr McNeil described Western Union as 'the first stage in pan-Europeanism by consent'. On 17 March a treaty was signed, remarkable in its wide conception of humanity and of co-operation. It is certainly a pact against aggression: but it is far more. It is a manifesto of those values which must be the inspiration of Europe if Europe is to survive. And, like all effective manifestos, it is short.

In the Preamble the parties promised (1) 'to reaffirm their faith in fundamental human rights, in the dignity and worth of the human person, and in the other ideals proclaimed in the Charter of the United Nations'—words which are borrowed from the Preamble of the Charter; (2) 'to fortify and preserve the principles of democracy, personal freedom, and political liberty, the constitutional tradition and the rule of law, which are their common heritage'. This second paragraph of the Preamble is the European essence of the treaty. It goes beyond the text of the Charter in its insistence on political liberty and the rule of law.

In the third paragraph of the Preamble, the parties promised to 'strengthen with these aims in view the economic, social, and cultural ties by which they are already united; . . . to co-operate loyally and to co-ordinate their efforts to create in Western Europe a firm basis for European economic recovery'. This paragraph finds its parallel in Articles 53, 55, and 56 of the Charter. The Preamble's promise to 'afford assistance to each other in accordance with the Charter in maintaining international peace and security, and in resisting any policy of aggression' is reflected in Articles 4 and 5 of the treaty itself (Mutual Self-Defence against Aggression in Europe).

These Articles, 4 and 5, mention Article 51 of the Charter, and largely use its wording.[1] Article 8 of the treaty requires disputes between members to be settled by conciliation, or by the International Court of Justice. No mention is made of the Security Council (as is done in Article 52, para. 2, of the Charter). Article 9 concerns new admissions, and corresponds with the final clause of the Preamble: 'to associate progressively in the pursuance of these aims other States inspired by the same ideals, and animated by the like determination.' Every member must agree to the new admission.

The Brussels Treaty is being worked out by a system of committees on a now familiar pattern, developing as occasion demands. At the top is the Consultative Council of the five Foreign Ministers, meeting regularly every three months in each of the five capitals in turn. Below them is a Permanent Commission in London, the active centre of the whole organization. Its members are the four Ambassadors to the United Kingdom, and the Chairman is the

[1] Article 51 recognizes the right of individual or collective self-defence. It was put in the Charter at San Francisco to meet the fear of Latin American States that a European permanent member of the Security Council might be able to frustrate the action of a security-group such as the Act of Chapultepec contemplated (March 1945). Article 51 has the advantage that, although the Security Council must be told of any action taken, the Council's previous consent to action is not required, as in the case of regional arrangements. It thus becomes an escape-clause from the paralysing effect of the 'rule of unanimity', if not an invitation to organize a group possessing a natural unanimity.

United Kingdom representative, Sir Gladwyn Jebb. All the manifold activities of this treaty are co-ordinated by the Permanent Commission, and the work of the Commission forms the main subject of the periodic meetings of the Consultative Council, which has the power of ultimate decision.

A similar system obtains in the sphere of defence. Here, at the top, are the Defence Ministers, who held their first meeting on 30 April 1948. By the end of October the organization was roughly as follows: (1) the Western Union Defence Committee, consisting of the five Defence Ministers meeting in each capital in turn; (2) Western Union Chiefs of Staff, with Lord Tedder as Chairman, situated in London; (3) a Military Committee, including a Supply and Resources Board, with U.S. and Canadian observers, situated in London; (4) the Western European Commanders-in-Chief, with Lord Montgomery as Chairman, whose main headquarters in Whitehall are next door to the Military Committee, (4*a*) what is known as the Lord Montgomery's 'advanced headquarters', in the Henri de Navarre wing of the Château of Fontainebleau. Here are the Headquarters of the C.-in-C. Land Forces, Gen de Lattre de Tassigny; of the C.-in-C. Air Forces, Air Chief Marshal Sir James Robb; and of the Flag Officer Western Europe, Admiral Jaujard (France). At Fontainebleau are permanently stationed the Military Staffs of Western Europe. The problems facing the military organization include the adequate and balanced supply of U.S. arms from the surpluses and deficiencies of the U S.A., and the harmonizing of the needs of Europe with those of a re-arming America.

It is along the military road that the United States approaches the Brussels Powers, just as it is an economic road that links the U.S.A. with the European Recovery Powers In this military progress the main stages have been the Vandenberg Resolution of 11 June 1948, and military talks in Washington which began on 6 July between the five Brussels Powers, the U.S.A., and Canada. In this approach Canada played a vital part, proving to the American public that the North American mainland was definitely involved with Europe. The second meeting of the Consultative Council in July 1948 announced the presence of U.S. and Canadian military experts in London, to join in an unofficial capacity with those of the Five Powers. The third Council, in October 1948, announced that it had 'reached complete agreement on the principle of a defensive pact for the North Atlantic, and on the next steps to be taken in this direction'. On 10 December talks were begun in Washington on the problems of the North Atlantic Pact.

In the economic, social, and cultural fields, the Brussels Powers

have made arrangements parallel to those in the military spheres. General meetings of Finance Ministers and of Education Ministers resulted in the setting up of committees to deal with problems as they arise. In the cultural field, the expressed aim is to abolish passports, and promote interchanges of professors, students, and books. In the sphere of welfare the aim is to harmonize social legislation and improve it. In health affairs, representatives of the Five Powers have been made into a permanent Committee.

These various small committees, cultural, social, and the rest, meet first in London, since the Permanent Commission is the general Secretariat of the whole organization. They then decide themselves where their most suitable meeting place would be.

Such, in outline, is the set-up of the Brussels Treaty and of Western Union. It is designed to form the framework of a widening European society.

Mr Bevin's conclusion in his speech to the General Assembly of the United Nations on 27 September 1948 sums up simply the wide scope of the plan: 'If we find in the end that we cannot proceed on a world basis as we had hoped, we must proceed on a regional basis. We must agree with whom we can work· understand and trust those who are willing to enter into trust and understanding with us. It may be, after all, that if World Government cannot come as we had hoped, then out of these regional structures to which we now turn there may yet grow that World Government for which humanity yearns, and for which it has been striving and struggling for so long.'

I. C

2. ECONOMIC ASPECTS[1]

FRONTIERS mark out the jurisdiction of Governments A Government can exercise authority over whatever is done within its territory, over the inhabitants of its territory and over passage across its boundaries. A political union, complete or partial, may be conceived as the complete or partial elimination of frontiers within the union.

Proposals for Western European Union are of course confined to partial union: at the most to a federal authority with powers limited to defined purposes, immediate measures are not contemplated beyond a loose confederation, with suitable consultations, to initiate concerted action on certain specified matters.

When a Government enforces conditions or exactions on entry

[1] Portions of this article appeared in a series on aspects of Western European Union prepared for the Central Office of Information for publication overseas

into its jurisdiction, a frontier becomes a barrier. Duties, for example, are imposed on imports of goods. When an import duty on any product is not accompanied by any corresponding duty on the same thing produced at home, the effect is to discriminate against foreign producers in favour of the home producers. That the countries coming together should retain exactions which discriminate against one another's products is in conflict with the aims of economic co-operation. And one of the first measures to be put forward by advocates of closer economic union is apt to be a Customs Union.

A full Customs Union would mean a complete renunciation of duties on products passing frontiers within the Union, and uniform duties on imports from countries outside. It would be a big step towards a political union or federation, for it involves not only a common commercial policy but a pooling of revenues from indirect taxation. If the participating countries continued to have different rates of excise duties, Customs barriers would have to be maintained in order to charge duty on any product passing from an area of lower duty to one of higher. Otherwise producers paying the higher duty would be at a disadvantage in competition with those paying the lower.

Many advocates of a closer union of Western Europe hesitate to recommend a formal federation. That a full Customs Union is bound to end in a formal federation is therefore felt to be an objection to such a Union. And there are in any case difficulties in the way of immediate adoption of a Customs Union.

Any industry in one country of the Union which has been hitherto protected by import duties against a competing industry in another would lose this protection; it would suffer loss, or possibly be unable to survive at all.

Against the immediate loss to some, it may be contended, there would be an ultimate gain from a more efficient geographical division of labour. That this would be so *within the Union* is classic free-trade doctrine. But the Customs Union would create a new discrimination against producers *outside* the Union. For, where a producer in a country inside the Union exported his product to another inside country in competition with an outside producer, the former would be relieved of the duty which he previously paid, and which the outside producer would continue to pay. There would thus be a new artificial discrimination against the latter and in favour of the former. It is not certain, therefore, that there would be on balance a better geographical division of labour at all.

Any *discontinuous* change in economic life causes immediate loss. The loss incidental to the introduction of a Customs Union

would be diminished if there were a gradual approach, starting with moderately preferential duties, and increasing the preference by stages up to the complete elimination of duties within the Union.

American trade policy, while in general discountenancing preferential tariffs and other forms of discrimination, makes an exception in favour of a full Customs Union (of which their own forty-eight States are too obviously a type). Article 44 of the Charter of the International Trade Organization, recently agreed to under American auspices at Havana, which specifies this exception, expressly allows an 'interim agreement' leading up to a full Customs Union.

The exception has also been extended to include what the Charter calls a free trade area. This has, presumably, been devised to suit the needs of a Western Europe which would like to remove internal trade barriers without renouncing the freedom of each country to retain its own tariff policy. There would be Customs frontiers within the Union at which certificates of origin would be required, products from outside the Union paying duty, and those from inside going free (or merely paying the equivalent of any difference of excise duties).

Does that not reconcile the aim of mutual free trade with independence of fiscal and tariff policy? A dubious claim For differences in import duties between one area and another imply corresponding price differences even in the home-produced articles. These price differences could not be maintained unless there were compensating duties on importation of the products of a low-price country into a high-price country within the Union And if there were such duties, the Union would no longer conform to the definition of a free trade area.

But, if the idea of a free trade area leads nowhere, the I.T.O Charter offers another exception to its rule against discrimination, which has perhaps been specially designed for Western European Union. The proposal for a Customs Union was originally made with a view to reproducing in Europe the conditions which have favoured mass production in America, the wide market offered by a duty-free area assured by a federal Constitution. For that purpose a full Customs Union, extending freedom from import duties to all products, is not necessary. An arrangement limited to the products of mass-producing industries would suffice. And Article 15 of the Charter allows countries belonging to 'the same economic region' to grant one another a preference or freedom from duties 'to ensure a sound and adequate market for a particular industry'.

The countries of Western Europe, for instance, might promote

the mass production of motor vehicles by eliminating all import duties on those produced by one another, and maintaining duties on those produced elsewhere. They would reserve their own market of some 200 million people for the favoured industries, while keeping their tariff policies in all other respects unaffected and independent.

This arrangement, however, would be permitted only for a limited period, ten years with a possible extension to fifteen, but no longer. Thus limited, it is a concession to the 'infant industries' doctrine, admitted by exponents of free trade as good ground for protection, if only its cessation can be ensured when the protected industries reach maturity.

The mass-producing industries are of special importance in a country's war potential, and the elimination of frontier barriers in their development might be a big step towards a merger of the armed forces of the Western European nations. If all were dependent on one another for some essentials of military equipment, no one of them could engage in war separately, and they would find that a single armed force would mean a single foreign policy. An extreme assumption, yet it does disclose one more path by which economic integration leads to political union.

At the present time Customs tariffs are not the most serious frontier barriers; they are put into the shade by import restrictions, that is to say, prohibitions, subject to licensing of permitted quantities or on permitted conditions. Import restrictions are a short-term problem; they are resorted to as a corrective of an adverse balance of payments. The adverse balance may be due either to a real shortage of resources, or to a monetary disorder.

A real shortage may arise from wartime destruction and pillage, and from the arrears of upkeep of capital equipment and property, and the depletion of stocks, due to a country's war effort. When the resulting demand for supplies from abroad is too insistent to be corrected by the free working of the market and price mechanism, the Government intervenes to prohibit or restrict non-essential imports.

The purpose is not the protection of home industries, for that would be to divert productive resources to the same non-essential purposes. The import restrictions are incidental to a policy of *austerity*, that is to say, of restricting consumption in order to make productive capacity available towards remedying immediate deficiencies.

If there is no discrimination in favour of home industries, there is no discrimination against foreign producers, and the continuance of the import restrictions is not inconsistent with economic co-operation. If all the co-operating countries had to impose the same

degree of austerity, they could dispense with restrictions among themselves, and maintain them against the rest of the world. But as things are, that condition is not fulfilled. And there is apt to be a residue of discrimination, in that a country which is restricting its consumption of a product, without stimulating its home production, may yet preserve the home production undiminished, and leave the outside producers to bear the whole loss of sales. This is a problem which has already arisen in the European Reconstruction Programme.

Each country must pursue its own policy of austerity. Nevertheless American aid is now forthcoming to relieve the strain, and the Western European nations can do something towards relieving one another.

Austerity is the remedy for an adverse balance which is caused by a real shortage of resources. But an adverse balance may on the other hand be caused by a monetary disturbance. The immediate impact of an adverse balance in either case is on monetary reserves Import restrictions and exchange control are imposed to protect reserves, and the measures taken do not have to distinguish between the two possible causes of the adverse balance.

The prevalence of inflation in some of the countries of Western Europe is a serious obstacle to any measures of economic co-operation. It is a trouble which each country must cope with for itself. When that has been accomplished, and all have regained control over their monetary affairs, what degree of co-operation will be desirable or practicable in this respect?

The International Monetary Fund aims at maintaining constant rates of exchange, only to be altered in case of a 'fundamental disequilibrium'. Rates cannot remain unchanged unless the price levels and wage levels of the several countries are kept unchanged (subject to allowance for changes in relative real costs, etc.) Inflation and deflation then are both avoided, and there should be no serious difficulty in keeping rates of exchange within the group unchanged, and currencies mutually convertible.

So long as rates of exchange are variable, or kept constant only at the cost of growing disequilibrium, economic co-operation is put at a grave disadvantage. But mutual convertibility of currencies should suffice, it would not be necessary to go so far as to establish a *common* currency, the use of the same bank notes as a hand-to-hand medium of payment. A common currency would inevitably mean a surrender of fiscal independence to a central authority. Even the financial orthodoxy of the nineteenth century always held open the door for a Government, unable otherwise to pay its way, to have recourse to the creation of bank credit and currency. And the present century has seen the links between

fiscal and monetary policy become more intimat

Either a Customs Union or a common currency w
to result in a formal federation; they cannot therefo
as purely economic proposals. Their political impl
decisive.

Yet there is a wide field for economic co-operation outsic
such formal bonds. If Western Europe is suffering from a real shortage of resources and is dependent on American aid to make the shortage good, that means that there is an exceptional opportunity at the present time to plan the future of industry. Arrears of renewals, extensions and improvements of the equipment of industry have to be overtaken. Even before the war depression and political fears stood in the way of progress, and Europe has to concentrate twenty years' capital enterprise in four. Those four years will determine the future shape of Western European ndustry.

It is a condition of American aid to Europe that the recipients hall plan a programme for its effective use. That puts the burden f planning on Governments.

Planning, however, does not necessarily mean a resort to oercive powers. Industrialists have reason to welcome some uidance from their Governments when the problem of the requipment of industry has become so vast. Some coercive power ay be necessary, where public policy—in regard, for instance, to usterity, the balance of payments, or strategical safeguards—onflicts in some way with the interests of private enterprise. But ompulsory powers are best kept in the background.

How far can the planning of industry by the nations of Western urope be unified? How far can they make their plans *independent f frontiers*? The answer depends on how far the co-operative pirit is real. If they genuinely trust one another, they can plan e character and location of industry with a single-minded conern for their common interests, on the one hand, for the welfare f all their peoples, as one community; on the other, for their ommon defence.

The foundation of economic co-operation, as for political o-operation, is the elimination once and for all of the feuds and alousies which make frontiers barriers.

R. G. H.

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NOTES OF THE MONTH

The Corfu Channel Case

ON 9 April 1949 an event occurred of great significance in strengthening the foundations of international law. The International Court of Justice delivered its first judgment. In solemn tones the President read aloud the six-thousand-word majority opinion of the Court on a dispute which has been generally acknowledged as more important than any which its predecessor, the Permanent Court of International Justice, was ever called upon to settle.

It was precisely two years since the Security Council had recommended that the Corfu Channel dispute between the United Kingdom and Albania should be referred to the International Court of Justice. But the length of the proceedings is justified because the case involved a mass of technical evidence and the calling of expert witnesses. Moreover, some months' delay was caused by an Albanian objection to the jurisdiction of the Court, which the Court decided to dismiss.

The dispute concerned the responsibility of Albania for the mining of two British warships in the Corfu Channel on 22 October 1946, in circumstances which even now, after prolonged argument, remain a mystery. The essence of the British case, which the Court by a strong majority upheld, was this: that according to expert evidence it would have been impossible for the mines to have been laid without the knowledge of the Albanian authorities; that these authorities failed to warn foreign shipping, and in particular the British squadron approaching the minefields; and that consequently Albania was liable for all the resulting damage and loss of life.

In a counter-claim against the United Kingdom, Albania argued that the Royal Navy had violated her sovereignty both on the occasion of the mining, and, three weeks later, when it returned and swept a number of mines in the same waters. By fourteen votes to two the Court decided that on the first occasion the Royal

Navy was not guilty. This part of the judgment contains an affirmation for the first time by an international tribunal of the right of innocent passage for warships in time of peace through international straits. Such a right is particularly important where, as in the case of the Corfu Channel, the strait passes through a State's territorial waters. On the second occasion the Court upheld the Albanian contention unanimously, but stated that there were extenuating circumstances.

The case establishes other important legal precedents. Some of the dissenting judges, for instance, thought that a charge of such gravity could not be held established against a sovereign State without direct and conclusive proof, which the United Kingdom was unable to produce. But the majority held that if the Court were satisfied beyond reasonable doubt, even on the basis of circumstantial evidence, that the mines could not have been laid without Albanian knowledge, then Albania must be found responsible for a breach of international law. The Court further showed that it could function successfully as a fact-finding body. It is worth noting that to supplement the evidence of the parties it appointed a committee of experts to advise it and to make investigations on the scene of the crime.

The judgment is also significant on a broader plane. This was a dispute which touched closely the national pride and the vital interests of both countries; indeed, it was originally brought before the Security Council as a dispute 'likely to endanger the maintenance of international peace'. By its handling of the case and by the definitive and unambiguous judgment it has delivered, the Court has shown its value and its competence, not merely in cases of a more or less friendly character, but in others which, fifty years ago, could only have been settled by force of arms.

Compromises at Bonn

The action of the German Social Democratic Party (S.P.D.) in rejecting the draft Constitution for Western Germany, which had been worked out by the Parliamentary Council in which it was represented, has surprised and puzzled many people outside Germany who have not followed closely the process of constitution-making at Bonn. It also caused 'distress' and 'disgust' to the Christian Democratic Party (C.D.U.), which regards this action by its political opponents as offering the world a picture of divided German political counsels and constituting a defeat of the 'reasonable elements' in the S.P.D. The latter objected to the draft Constitution principally on two grounds. In the first place legislative powers, intended to strengthen the rights of the Länder as against the Federal Government, were given to the second chamber. (The

second chamber, or *Bundesrat*, was to consist of members of the Governments of the Länder, who would vote according to instructions from their Governments.) In the second place, the S.P.D. disapproved of the extensive financial powers, including rights of tax collection, given to the Lander Governments. The right of the Federal authorities was to be strictly limited to what was necessary for the discharge of Federal responsibilities. The S.P.D. held that the Federal Government would not have sufficient powers to achieve the necessary control in the interests of efficient administration. Upon this issue no satisfactory final compromise solutions have been found after weeks of discussion between the two parties, of which the S.P.D. stands broadly for a greater degree of central control, while the C.D.U. is 'federalist' and wishes to strengthen the powers of the Lander Governments under the Constitution at the expense of the central Federal Government. Each party claims that it has made genuine and far-reaching compromises in order to achieve agreement.

Since the Parliamentary Council first met at Bonn six months ago to draft a Constitution, the Allied Military Governors have sent it instructions on no fewer than five occasions. On 2 March they issued a memorandum outlining the amendments which they wished made in the draft Constitution submitted to them by the Bonn Parliamentary Council. The most important of their objections concerned the relation between the powers of the Federal Government and the Lander Governments respectively. The German draft gave the Central Government priority of power on major issues over the Lander Governments and thus, according to the Military Governors, departed too far from instructions laid down by them during the autumn. They therefore altered, in the direction of increasing the powers of the Lander as against the Central Government, articles in the Constitution dealing with legislative and financial powers. A committee of the Parliamentary Council then worked out counter-proposals to meet the Military Governors' objections. On 25 March these were declared unacceptable. The decisions of the Military Governors are always joint decisions, but it is no secret that the American and French representatives have consistently favoured a Constitution in which the powers of the Lander were increased to the maximum and those of the Central Government correspondingly reduced. The former were to be strengthened in conformity with American constitutional theory and practice; the latter diminished on grounds of security to prevent the creation of a strongly centralized and therefore potentially dangerous future German Government. The Christian Democratic Party, in working to strengthen the powers of the Länder in accordance with their political principles, have

therefore in effect been the willing tools of the Allied Governments. The pressure exercised by the liaison officers of the Military Governors has meant in fact that most of the compromises have been at the expense of the S.P.D., which has thus tended to appear at the least intransigent, if not actually nationalistic, in its attempt to secure greater powers for the Central Government against the express wishes of the Military Governors.

However unfortunate may be the delay in completing the Western German Constitution caused by the action of the S.P.D., it is not necessarily the result either of political ineptitude or of a deliberate attempt to postpone the day when Germans in Western Germany by their own action will appear to legalize the division of their country into two parts, and there are already signs that it may ultimately result in further compromises.

The Syrian Coup d'Etat

The fabric of the young Syrian Republic, in which latent weaknesses were detectable early in 1948, was subjected to new strains when the attempts of the Arab States to destroy the State of Israel proved unsuccessful. The small and lightly-equipped Syrian Army achieved nothing. After several Cabinet reshuffles the entire Cabinet fell on 1 December following riots in the main towns, led by students demanding renewed efforts in Palestine. There were also deep-seated economic discontents, deriving from the grievous cost-of-living (the index, compared with that of 1939, had risen twice as far as that of Egypt), from the scarcity of essential articles, financial stringency, and from the usual charges of ministerial corruption. A fortnight elapsed before the moderate, forty-five-year-old Khalid al-'Azm succeeded in forming a Cabinet pledged to reverse the policy of isolation from the Great Powers which the previous nationalist Governments had followed since throwing off the French mandate in 1945. The new Cabinet concluded the interrupted negotiations with France to regularize the status of the Syrian currency; they ratified the agreement for the Trans-Arabian oil pipeline to the Mediterranean, and proposed to examine the projects of other oil companies; and they prepared to negotiate an armistice with Israel.

But in the early morning of 30 March 1949 troops occupied the key buildings in Damascus and arrested President Shukri al-Quwwatli, whose previously strong position had been shaken by the 'minor revolution' last December. The ex-Premier and several Ministers and senior administrators were also deprived of their liberty. The main cause of this almost bloodless *coup d'état* was general discontent at the unchecked economic and financial deterioration. An army pay-cut and the selection of some army

officers as scapegoats for the popular charges of official corruption came as the last straw. The *coup* was led by the Chief of Staff, Colonel Husni az-Za'im, a burly soldier of Kurdish origin, who was trained in the Ottoman Army and served in Syria under Faisal (1919–20) and then under the French. His part in clandestine nationalist politics had ensured his advancement when Syria became independent, and he had been promoted to Chief of Staff one week after the Arab States intervened in Palestine in May 1948.

While he was not overtly opposed, only 70 of the 136 Deputies signified their support, and the professional politicians were reluctant to take office under him and so risk impeachment for unconstitutional behaviour by some future régime. Colonel Husni accordingly proclaimed the dissolution of Parliament and announced his intention to have a new Constitution drafted and to hold new elections. He tried to fill the political vacuum by reaching an armistice agreement with Israel, by familiar promises of economic and social reforms, and by announcing his desire to form a military and economic alliance with Iraq and Transjordan. He also proclaimed his intention to draw closer to Turkey, from whom the Syrian nationalists had been estranged by her annexation of the former Sanjaq of Alexandretta (the Hatay) just before the second World War. Special envoys from Iraq and Transjordan visited Damascus, and the reaction in Ankara was favourable.

The displaced régime, however, had been a staunch supporter of the Egypt-dominated Arab League. The Egyptian Government's attitude to Colonel Husni was at first chilly, and for some days no mention of the *coup* was allowed to appear in the Egyptian press. But on 17 April the Secretary-General of the Arab League accepted an urgent invitation to attend conversations in Damascus, for which the Iraqi Premier, Nuri as-Sa'id (for many years a protagonist of Arab federation), and the Lebanese Foreign Minister had already arrived. On the same day it was reported that Colonel Husni had formed a Cabinet, in which he held the portfolios of Defence and the Interior as well as the Premiership.

A removal of the economic and political barriers between the Arab successor-States of the Ottoman Empire is obviously desirable as a preliminary to a co-ordinated plan for the economic and social development of the Fertile Crescent. But the Arab response to such a plan, which would in any case have to surmount local vested interests and personal rivalries, has been rendered doubly uncertain by recent events in Palestine. The political failure and assassination of General Bakr Sidqi, another Kurd and military dictator of Iraq in 1936–7, should serve to remind Colonel Husni that the way of the 'Saviour with the Sword', however warranted by previous misgovernment, is likely to be a chequered one.

ALLIED POLICY IN JAPAN

THEORY AND PRACTICE

ALLIED policy and objectives in Japan were clearly stated from the outset of the occupation. They were set forth both in the Potsdam proclamation of July 1945 and in the first directive of September 1945, to General MacArthur, entitled 'U.S. Initial Post-Surrender Policy for Japan'. After three-and-a-half years of occupation it is interesting to consider how far these projects have been fulfilled.

The Allies' first task was essentially negative. Japan was to be disarmed, her war potential destroyed, her Empire confiscated, war criminals brought to justice, and militarist doctrines eradicated. The power of the Zaibatsu was to be broken, and reparations exacted to recompense the former victims of Japanese aggression. The second, and more constructive, task before the Allies was to introduce, or encourage the development of, democratic ideals and institutions in Japan. How far have these aims been achieved?

The disarming, demobilization, and repatriation of the Japanese forces was carried out smoothly and efficiently during the first year of occupation, the only substantial delay being caused by Russian reluctance to repatriate Japanese prisoners of war. Steps were also taken to prevent a future revival of militarism. The War and Navy Ministries and other militarist Government departments, such as the Ministry of Munitions and the Greater East Asia Ministry, were abolished. Militarist or ultra-nationalist societies and organizations were dissolved, and persons of known militarist sentiments purged from public life. The Japanese themselves paid lip-service to pacifist doctrines by including in their new Constitution (almost certainly under American prompting, if not coercion) a formal and permanent renunciation of war. But the value of this proclamation was naturally debatable.

During the three-and-a-half years of Allied (in practice American) occupation, much has been done to build up democratic institutions in Japan and to encourage freedom of thought. The Meiji Constitution has been replaced by a new one, allegedly drafted by the Japanese but bearing a strong American imprint, in which sovereignty is no longer vested in the Emperor but in the people. A bi-cameral system has been chosen, with a strong Lower House and a Cabinet exercising executive power and responsible to the Diet instead of to the Emperor. The latter is no longer even the titular chief executive or Head of the State, but remains simply 'the symbol of the State and of the unity of the

people, deriving his position from the sovereign will of the people'. Henceforward all Imperial property, other than hereditary estates, will be considered as State property, the income being paid into the national exchequer, and an allowance for Imperial expenditure will in future be approved in the annual Budget. In addition to defining the functions of the Emperor and the Diet, the new Constitution also guarantees the civil liberties of the individual.

The Diet has passed numerous laws to implement this new Constitution. By July 1948 the Supreme Commander for the Allied Powers (S.C.A.P.) could announce that all its basic concepts had been enacted. An independent judiciary had been established, and the Japanese legal system reformed to protect the rights of the individual by such provisions as the writ of *habeas corpus*. An amnesty was also granted to prisoners serving sentences for political offences, including *lèse-majesté*. Other important measures carried out since the surrender have been the reform of local government, the protection of the rights of labour, a comprehensive land reform, and a rather half-hearted attempt to break up the Zaibatsu.

On paper, at least, Japan is now provided with the essential basic machinery for a democratic State. It remains to consider, first, whether these reforms have succeeded in changing the pattern of Japanese government, and secondly, the extent to which they command popular support.

THE POSITION OF THE EMPEROR

What, for example, is the real position of the Emperor in post-war Japan? Allied policy towards him has sometimes appeared inconsistent, but it has been prompted by expediency. Before the surrender the Japanese leaders were prepared to make every concession, provided the Imperial institution was safeguarded, and although the Allies gave no definite undertaking on this point, they made the Emperor responsible for carrying out the surrender terms and thus tacitly implied that he would be retained. Allied policy, as specifically outlined, was 'to use the existing form of government in Japan, not to support it'. The Supreme Commander was ordered to 'exercise his authority through Japanese governmental machinery and agencies, including the Emperor, to the extent that this satisfactorily furthers U.S. objectives'. But it was expressly stated that the Supreme Commander was in no way committed to support the Emperor, should this expedient no longer suit Allied policy or should the Japanese people wish to change their form of government.

Ideally it might be argued that any system which included the Emperor should have been abolished. The whole structure of

militarist Japan had been built round the throne. Moreover, among certain of the Allies, notably the Australians, the Chinese, and the Russians, it was felt that the Emperor was no less guilty than the other Japanese leaders, and that justice demanded his trial as a war criminal. But although there was substance in both these arguments, the practical advantages of retaining the Emperor were so overwhelming that most thoughtful observers considered the Allied decision more than justified by the remarkable smoothness of the Japanese surrender following the Imperial command.

How the Japanese would have reacted had the Allies insisted on destroying the Imperial system can but be surmised. It is possible that they would have resisted long and stubbornly and that victory would only have been achieved at a heavy cost in Allied lives. Probably nothing short of the Imperial command, overriding lesser loyalties, could have produced not only unquestioning obedience, but the active co-operation of the whole population in an act which betrayed one of their most fundamental traditions.

Since the surrender, the occupying authorities have endeavoured to transmute the Japanese attitude towards the Emperor into a more democratic conception. State Shinto has been abolished. The Imperial portrait no longer hangs in the schools, and the Emperor himself has publicly renounced his divinity. He has mingled with his people, visiting hospitals and factories in the manner of a democratic monarch. He has also waited on General MacArthur on a number of occasions. All this would have been inconceivable before the war, and yet it appears that he has never been so popular. To the foreigner, the small shabbily-dressed Emperor, making a few stumbling and banal remarks to his embarrassed subjects, appears devoid of regal attributes; but when he tours the countryside he needs protection from the enthusiasm of his people, who throng by thousands to see him and queue patiently for hours in order to tread on a dais which has received the imprint of his sacred foot. Although his powers have been reduced almost to impotence, the Socialist Premier, Mr Katayama, had to be rebuked for reporting the resignation of his Cabinet first to the Emperor, as though the latter's position was unchanged.[1]

It is not surprising that the Japanese have clung to the Imperial throne as the last link with the old Japan. At the surrender their world had crumbled in ruins. They were dazed less by the physical destruction, since they had been schooled from time immemorial in the havoc of natural disasters, than by the spiritual

[1] His successor, Mr Ashida, was the first Premier who did not officially report his resignation to the Emperor, but it seems unlikely to have been accidental that the Ashida Cabinet was invited to tea with the Emperor, who had a private conversation with Mr Ashida just before the Cabinet's decision to resign was announced.

impact of defeat. Their leaders were discredited, some were on trial for their lives, and the familiar structure of Japanese society was being drastically altered to conform to an alien democratic ideal. The Emperor alone remained. Far from his reputation being impaired by his abasement, most Japanese seem to have felt that the Emperor had deliberately humiliated himself in order to save his people. For in his surrender broadcast he had declared that to continue resistance 'would be only to increase needlessly the ravages of war finally to the point of endangering the very foundations of the Empire's existence'.

POLITICAL DEVELOPMENTS

The course of Japanese politics since the surrender has not been edifying, and up till now only insignificant political leaders have emerged The surrender Cabinet was headed by Prince Higashikuni, who handled the initial problems of surrender and demobilization and then resigned in favour of Baron Shidehara, who formed a new Cabinet which remained in office until the general election took place in April 1946. Meanwhile the electoral law was amended, reducing the age of enfranchisement from twenty-five to twenty, and introducing suffrage for women on equal terms with men. The purge of political leaders whose records were unacceptable to the occupation authorities had caused considerable consternation. It also implied drastic reorganization since the majority of the members of the Diet were involved. But the Japanese post-war political parties gradually took shape, following the dissolution of the Great Japan Political Association, to which 377 of the 466 members of the House of Representatives had belonged at the time of the surrender.

The most important of these groups proved to be the two conservative parties, incongruously described as Liberals and Progressives. There also emerged the Social Democratic Party and the Co-operative Party, which was rather more conservative than the Social Democrats, but which tended to support the same policies. The small Communist Party proved to have a disproportionate significance owing to its influence on labour. Moreover, alone of Japanese political parties, the Communists were untainted by connections with the earlier régime, since almost from the time of the party's inception in 1923 it had been the victim of ruthless persecution. But it was handicapped by the known disapproval of S.C.A.P. and the unpopularity of its move to abolish the Imperial system. It only gained five seats in the House of Representatives at the first general election.

The election, which was carried out under careful Allied supervision, was the first in which the electors were free to record their

votes without fear of coercion, and the polling figure was high, over 72 per cent of those registered. The election results revealed a conservative trend. After intricate party manoeuvres, Shigeru Yoshida, leader of the Liberal Party, combined with the Progressives and non-party elements to form a coalition Cabinet.

Since this first post-war election Japanese politics have followed a tortuous and ineffectual course. The Yoshida Government failed to stem the inflation and to suppress the black market, and proved unco-operative with Allied Headquarters. When its mishandling of the labour problem provoked the threat of a general strike, S.C.A.P. intervened. The strike was banned, but Mr Yoshida was ordered to prepare for another general election, the first under the new Constitution.

Mr Yoshida was succeeded first by Mr Tetsu Katayama, a Social Democrat, in May 1947, and then, in February 1948, by Mr Ashida, leader of the Democratic Party.[1] Both the latter Premiers were men of a more liberal outlook than their predecessors, and were thus more acceptable to Allied Headquarters, with whom they genuinely co-operated. But unfortunately neither commanded a clear majority in the House, so each had recourse to an uneasy and eventually unworkable coalition. Mr Katayama, by compromising with the Democrats and Co-operatives within his Coalition Government, alienated the Left wing of his own party and was forced to resign. Mr Ashida succeeded him at the head of a coalition of Democrats, Social Democrats, and Peoples' Co-operatives, but he also became involved in disputes with both Left and Right wing sections of the Government. But the fall of his administration was due to revelations of wide-scale official corruption in which the Deputy Premier, Mr Suehiro Nishio, was implicated, and later Mr Ashida himself.

After this collapse of the moderate parties, Mr Yoshida, leader of a reconstituted conservative party, the Democratic Liberal Party, returned to power. At first he was at the head of a caretaker Government, but his position has been confirmed by the general election in January, when he gained an absolute majority.

After the election results became known, General MacArthur expressed public approval. He stated that 'the people of the world everywhere can take satisfaction in this enthusiastic and orderly Japanese election which, at a critical moment in Asiatic history, has given so clear and decisive a mandate for the conservative philosophy of government'. It is indeed true that the conservatives made very substantial gains. Mr Yoshida's Democratic Liberal Party obtained a clear majority, having won 264 seats out

[1] In March 1947 the Progressive Party changed its name to the Democratic Party.

of 466, compared with only 152 seats in the previous Diet. But these results would be more a matter for rejoicing if victory had been won at the expense of the extreme Left. Instead, it is the moderate parties which have collapsed. The Communists, on the other hand, have made an increase from 4 to 35 seats, thus becoming the fourth most important political group in the Diet. The importance of these Communist gains should not be exaggerated. Despite its spectacular advance, the Japanese Communist Party still only constitutes a small if well-drilled minority, and historically the Japanese have proved among the least susceptible of Asian people to Communist doctrine. But it is worth considering the causes of this substantial change of opinion, which seems to have taken by surprise not only Allied Headquarters but also the Communists themselves. The chief external cause was probably the encouragement afforded by Communist successes in China, but the internal causes can probably be found in the trends of occupation policy since the surrender.

THE DEVELOPMENT OF OCCUPATION POLICY

American occupation policy is generally considered to fall into three phases. The first and most straightforward was the demolishing of militarist Japan and the clearing of the ground in preparation for the building of the new democratic State. This phase, as we have seen, was carried out most efficiently. The second phase opened in an atmosphere of unjustifiable optimism, in which it was assumed that the Japanese had become democratic overnight, and even that an increasing number would adopt Christianity. Too little weight was given to Japanese obedience to authority (in this case Allied Headquarters) and to their desire to propitiate their conquerors the sooner to be rid of them.

The aim of American policy was to govern Japan indirectly through the medium of the Japanese Government, and it had been hoped that the Japanese would initiate their own reforms once the outline was made known to them. But these hopes did not materialize. In devising the new Constitution, the Japanese are alleged to have been so dilatory in producing a draft that the final document is generally acknowledged to have been almost entirely the product of Allied Headquarters, although it is officially pronounced to have been drafted by the Japanese themselves. Nor was this an exceptional example, for nearly all the important reforms introduced since the surrender have been carried out at the instigation of S.C.A.P., although the system of indirect control, by verbal suggestions instead of directives, often concealed the fact. This method was adopted as it was felt that the Japanese Government would have more authority if it appeared to initiate its own policy

rather than act as the mouthpiece of Allied Headquarters. But since the Japanese leaders, for all their seeming subservience, have shown no inclination either to introduce adequate reforms or to tackle the economic problems with any sincerity of purpose, the American attitude has hardened and open intervention by S.C.A.P. has become more frequent.

The third phase of American policy has been essentially realist. The earlier enthusiasm for inculcating democratic ideals and the American way of life has been modified by a growing awareness that the cost of the experiment is being borne by the American taxpayer. In the last year, therefore, the emphasis has been less on making Japan democratic than on making her economically self-supporting. These two aims have often proved incompatible, and there have been abrupt reversals of American policy, particularly on economic questions.

One such instance has been the dissolution of the Zaibatsu, or business combines. In the initial post-surrender directive it was stated that S.C.A.P. should 'favour a programme for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan's trade and industry'. In theory it was generally agreed that the Zaibatsu should be dissolved, but two important practical objections were raised. The first was that should the Zaibatsu holdings be put up for sale, black marketeers were the only people in post-war Japan who would be in a position to buy them up. They would hardly prove desirable substitutes for the original owners. The second argument, and the one which had most influence in American business circles, was that if men of proven managerial ability and experience were purged, the restoration of Japan's shattered economy would be yet further retarded. Japan would thus remain a liability to the Allies, or rather the United States, who was bearing the cost of occupation and rehabilitation. This view eventually prevailed.

At first, however, despite these objections, official American policy supported dissolution. A Holding Company Liquidation Commission was established in August 1946 to dissolve the trusts and take over the assets of the holding companies. This was followed by the dissolution of control associations and of the Koeki Eidan, the war-time foreign trade agency, which was replaced by the Japanese Board of Trade. In the beginning of 1947 the scope of the political purge was extended to business and finance. In that year an anti-trust law was passed in March; a Fair Trade Commission was appointed in July; and a law for the Elimination of Excessive Concentrations of Economic Power came into force in December. But despite this impressive array of legislation, American enthusiasm for the project was beginning to wane.

A speech by General MacArthur in February 1948, in which he stated that their dissolution was 'indispensable to the growth of democratic government and life', was much criticized, and the opinion of the American business circles mentioned earlier was rapidly gaining ground. In the course of the summer a number of earlier decrees were rescinded and restrictions were relaxed, enabling many companies to escape reorganization. Finally, in December 1948 the American representative on the Far Eastern Commission announced that the plan for the dissolution of the combines had been abandoned. This seems to have been an instance in which the blueprint of reform was considerably modified in the interests of temporary expediency. But this is not the only indication of the latest American trend to concentrate on making Japan economically self-supporting, even at the sacrifice of some of the democratic ideals envisaged in the early days of the occupation. This attitude was revealed in General MacArthur's letter to Mr Yoshida in December, which spoke of a 'temporary surrender of some of the privileges and immunities inherent in a free society', adding that there would be 'no place for ideological opposition' to American plans for the industrial revival of Japan. There has also been a hardening of attitude towards labour.

In the sphere of labour legislation, soon after the surrender fundamental reforms were introduced, and by the beginning of 1949 Trade Union membership exceeded 6½ million. The Trade Union Law, which was passed in December 1945, established the framework of basic labour rights and provided for labour relations committees to handle disputes. Freedom to strike was only restricted in the case of esesntial groups, such as the police, or where a strike would impede the occupation. In the early days few strikes were forbidden, the most notable exception being the threatened General Strike in February 1947 which was averted by S.C.A.P. intervention. But in the spring of 1948 the country was paralysed by a series of strikes, chiefly among Government employees, and with the new emphasis of occupation policy on production widespread strikes could no longer be tolerated. Moreover the anti-Communist campaign in America was at its height, and many of the labour unions were known to be under Communist control. In a letter in July to Mr Ashida, then Prime Minister, the Supreme Commander urged the revision of the National Public Service Law making strikes by Government employees illegal, and the necessary measures were taken by the succeeding Diet. In January of this year General MacArthur again took a strong line, warning Trade Union leaders and employers that if they could not settle their disputes peacefully and increase production they would have to face disciplinary measures and possible loss of foreign assist-

ance. As further measures for increasing production, a forty-eight-hour week was introduced, and it was proposed that Government and industry should reduce their uneconomically large staffs by 25 per cent, in spite of the considerable unemployment involved.

But although Japanese labour may have been disappointed by the most recent trend in American policy, the modifications made necessary by this change of policy have often been in Japan's favour. For in order to make Japan pay her way the United States has advocated her restoration to the position of 'the workshop of Asia'. This has been urged in the face of opposition from the other Allies, who have no wish to reinstate an economic rival and fear that Japanese industrial domination may once more be used as a stepping stone to aggression.

REPARATIONS

The question of reparations has also proved difficult. At the surrender fairly drastic measures were envisaged. These had the two-fold purpose of compensating victims of Japanese aggression and destroying war potential. The reparations programme was held up initially by a dispute between the Soviet Union and the remaining Allies on the question of whether Russian industrial removals in Manchuria should be treated as reparations or as 'legitimate war booty'. Meanwhile it became increasingly obvious that reparations could only be made at the expense of the United States, who would bear the burden if Japanese recovery were retarded. The growing American awareness of this consideration is reflected in the increasingly moderate recommendations of successive American missions, from that of the Pauley Report in 1946 to that of the Johnston Committee in April 1948. Actually the only reparations so far exacted, or indeed likely to be exacted, from Japan have been about 16,000 machine tools delivered as an interim measure under the 'advanced transfer programme.'

Although the avowed, and probably the primary, American motive in building up Japan is to relieve the American taxpayer, there is a second motive which cannot be overlooked, since it may also have been responsible for some of the seeming inconsistencies in American policy. That motive is the fear of Communism and the consequent tendency to see Japan as an anti-Communist bulwark. Such a policy has been more than once officially denied, but a number of prominent Americans, including General Eichelberger, have given it public support. They expressed regret that the initial disarming of Japan had been carried out with such thoroughness, and advocated that she be allowed a larger and better armed police force. Such statements, taken in conjunction with S.C.A.P. approval of the restoration of the Japanese coastguard service in the

ace of strong opposition from the other Allies, have caused a ertain amount of anxiety among erstwhile victims of Japanese ggression, notably China, the Philippines, and Australia. These ountries complain that the United States is treating her former nemy better than her Allies. But this is hardly a fair criticism, or the American policy of building up Japan was only adopted fter it became apparent that all the money and equipment ıvished on China had been spent in vain, and that American war-me dreams of China as the new stabilizing force in East Asia were lusive.

EDUCATION AND LAND REFORM

There are two aspects of Allied reform which have been but ttle affected by reversals of policy: education and land reform. s to education, the primary concern of the occupation authori-es has been to eliminate the influence of militarism. They might ell have been daunted by the magnitude of their task. It involved ot only the purging of teachers, but also extensive revision of :hool textbooks and the reorganization of a curriculum which had ırmerly devoted many hours a week to bayonet drill and other ırms of military training. Nor was this calculated military indoc-ination of children a recent development, although it had been ıtensified from about 1930. From earliest times the Japanese have 'vered the warrior, and Japanese school-books were pervaded to ıch a degree with aggressive ultra-nationalist dogma that it was ot possible merely to expurgate objectionable passages. The books ad to be re-written. The teaching of history, geography, and orals had to be suspended until new books could be issued.

None can regret that the tissue of mis-statements and false aims which was accepted as history during the last half-century as been replaced by a dispassionate account. Japanese children ıll now learn that the so-called 'China incident' was in fact a 'rotracted war'; that Japan waged aggressive war on the Allies and as defeated; and that these misfortunes were 'brought about by ıe fighting services who caused this unreasonable war'. It must be :membered that the Japanese are a people whose culture has een so saturated with the cult of the warrior that even the con-'mplation of cherry-blossom has military associations, since the amurai who dies for his country is compared to the blossom hich falls at the moment of its greatest beauty.

Besides the attempt to eliminate militarism, the Japanese ducational system has been reorganized, largely on American nes. An American Education Mission visited Japan in 1946, and a ıpanese Educational Reform Council was subsequently estab-shed to study their recommendations. In March 1947 a Funda-

mental Law of Education was passed by the Diet, implementing those sections of the new Constitution which concerned education, and containing provisions designed to protect schools from political influence.

Land reform has also been among the more successful aspects of the occupation policy. In December 1945 S.C.A.P. issued a directive ordering the Japanese Government to carry out a programme of agrarian reform with the object of redistributing the land on a more equal basis. In response to this directive the Land Reform Law was drawn up in October 1946, requiring absentee landlords to sell all their land to the Government. Non-cultivating landowners living on their land were restricted to 1 *cho* (2 451 acres) in the three main islands, or 4 *cho* in Hokkaido, and owner-cultivators were allowed to retain 3 *cho* (or 12 *cho* in Hokkaido). The surplus land was to be sold to the Government for re-sale, to avoid pressure being exerted on the tenant-farmer, who had the first option to buy the land he was cultivating. Payment could be made by instalments over a period of up to thirty years. By December 1948 a total of 2,046,444 *cho* had been acquired, and 1,784,925 *cho* disposed of.

The success of the policy is partly due to the economic situation since the inflation, and the high price of food has favoured the farming community. Not only has peasant indebtedness become a thing of the past, but many tenants have been able to buy their land in one or two instalments. An American agricultural expert who made a recent survey of rural Japan reported very favourably on what he saw.[1] He stated that fewer families were on relief, health conditions had improved with the establishment of clinics in many villages, and increased prosperity was revealed by the brisk purchase of livestock and agricultural machinery and the sowing of additional crops. But perhaps the best tribute to the success of the land reform is the fact that the Communists have made little progress in rural areas, their recent electoral successes being almost exclusively in industrial districts.

A JAPANESE DEMOCRACY?

Following this brief outline of the chief reforms carried out by, or under the influence of, the occupation authorities, it remains to consider how far the Americans have succeeded in their aim of teaching the Japanese a democratic way of life.

There have been two inherent and unavoidable difficulties in this task. The first is the seeming inconsistency of imposing freedom by force. Freedom of speech and of the press, for instance,

[1] See Natural Resources Section: *Weekly Summary*, 9-15 January 1949 (S.C.A P. Headquarters, Tokyo), pp. 3-6.

were advocated, and yet at the same time the requirements of the occupation demanded a fairly rigorous censorship. The Japanese were exhorted to renounce war for ever, and yet the Americans were in the position to dictate these views, not by right of their pacific virtues, but by military conquest. The Japanese are being taught the joys of democracy and the American way of life. But the vast majority of Americans seen by the citizens of Japan do not appear as peaceful citizens, but as superbly equipped warriors. They are told that militarism should be eliminated from politics, and yet these same orders emanate from a Military Government whose activities cover every field of public life. It may well be that the Japanese will admire and seek to emulate the material strength, the scientific achievements, and the martial qualities of the Americans which they have seen so effectively demonstrated, rather than the way of life of the unknown American citizen, with its emphasis on comfort and luxuries which the spartan Japanese has been taught to despise.

The second difficulty in imposing democracy from without, and one most often put forward, is that it is an alien concept which has no roots in Japanese culture and therefore is bound to wither once the Allies withdraw. The suggestion that Allied reforms are only superficial, and that the Japanese will revert to type once they are masters in their own house, has been put forward rather frequently in the last year. It is perhaps a reaction against the exaggerated optimism of the claims of S.C.A.P. in the early days of the occupation. Upon the Allied withdrawal, undoubtedly much will be discarded. Much will be adapted to fit the Japanese pattern, and what is generally regarded as the national character will not alter overnight. On the other hand, although up till now the Japanese have not wanted democracy enough to fight for it themselves, there is still the hope that, once they have known what it is to live in a free society, they will be unwilling to renounce their newfound privileges and return to their former subservience. The longer the Japanese leaders are forced to work a democratic system, the more difficult will it be to put the clock back when they are eventually freed from foreign control.

S. H.

SOVIET DRAMATIC CRITICISM

POLITICAL CONFORMITY AND ARTISTIC CONSCIENCE

FOREIGN observers have paid too little attention to the latest episode in the Soviet Union's protracted ideological purge. Yet in many ways it is most interesting. For purposes of clinical demonstration the purge as applied to what has been termed the 'homeless cosmopolitans' of the Russian cultural world is perhaps the most satisfactory recent manifestation of the malady which is sapping the vigour of Soviet intellectual life. The necessary documentation is easily obtainable in the West; an understanding of the issues involved requires no specialist knowledge; and our diagnosis is unlikely to be seriously affected by any future development. Neither the controversy over the biologist Lysenko, nor the condemnation of the Varga-ite economists, to mention the two phases of the post-war ideological reorientation which excited most interest abroad, satisfies all these conditions. It may be objected that the practical implications of the biological controversy and of the (not yet total) eclipse of the Varga school are incomparably more important than those of the campaign against 'cosmopolitanism' and 'anti-patriotism' among Soviet literary, theatrical, and music critics. Lysenko's triumph may prove a set-back for Soviet science and Soviet agriculture, while the apparent vindication of the anti-Varga-ites perhaps contributes to our understanding of Soviet foreign policy. But the practical importance of the affair of the critics is that it signalizes a further curtailment of intellectual liberty in the U.S.S.R., and throws some light both on the intellectual health of Soviet society and on the bankruptcy of Marxist philosophy in its Soviet form.

The campaign has been extended to include literary, musical, and film critics. Their 'offences' are interesting in detail but do not differ substantially from those of the theatre critics, who were the first objective, and have so far borne the brunt of the Party's latest ideological purge. This article is concerned with the theatre critics alone.

The mechanics of the 'purge' conform to a familiar pattern. The heads of the denunciation were formulated in *Pravda*, the organ of the Communist Party's Central Committee, and in *Culture and Life*, the organ of the Central Committee's Department of Propaganda and Agitation. Leaders of the witch-hunt were appointed—one of them, A. Sofronov, has recently emerged as the ideological *Gauleiter* of Soviet dramatists, and the other, K. Simonov, is assistant secretary of the Union of Soviet Writers. The Central

Committee's denunciation was proclaimed in Moscow and Leningrad at meetings of dramatists, theatrical workers, and critics, and of the Communist fractions of various branches of the Union of Soviet Writers. The authorized terms of the denunciation were repeated *ad nauseum*, with some expansion but little variation. Communists and others throughout the U.S.S.R. expressed their approval of the Party's action and even ventured to inquire why it had not been taken sooner. Interested parties paid off old scores —in the line of duty, no doubt, but with none the less satisfaction for that. Sofronov and Simonov, for instance, had both suffered from the criticisms of those whom they now condemned; while another victim of the 'cosmopolitans', Pogodin, actually apologized for not having proceeded against them sooner! The 'patriots', secure in the support of the Central Committee, concluded the affair to their satisfaction. 'We will smoke out of their holes,' said Sofronov at the Party gathering of Moscow writers, 'all those who are hindering the development of our literature. We will create artistic works of high ideological value which will help our great people to build Communism!'

The Party gatherings, meanwhile, 'associated themselves fully with the evaluation of the anti-patriotic activity of the group of theatre critics given in the Party press'. They instructed their executive bodies to consider the position of those condemned who were members or candidate members of the Party, and to work out plans for the ideological training of new cadres of critics.

THE INDICTMENT

In its decree on 'The Repertoire of Theatres and Measures for its Improvement', the Central Committee of the Communist Party pointed out that many dramatists were 'standing aside from the fundamental problems of our time', that they 'did not know life and the demands of the people', and that they were 'unable to portray the best traits and qualities of Soviet man'. The Party demanded the production of plays 'propagandizing the policy of the Bolshevik Party and the Soviet State, plays worthy of the Stalin age'. At the Moscow general meeting of dramatists and critics, Simonov listed the playwrights who had responded satisfactorily to the Party's call. Chief among them were Chirskov, Virta, Romashov, Yakobson, Sofronov, Korneichuk, Perventsev, Surov . . . and the speaker himself. The 'anti-patriotic group of theatre critics' were accused of 'endeavouring to retard this mighty development of Soviet drama and the Soviet theatre'. They had hooted down the works of the patriotic playwrights, 'precisely because' (in the words of *Pravda*) 'these plays, for all their shortcomings, are imbued with the spirit of Soviet ideology and Soviet

principles, because they pose most important political problems, because they assist the Party and the Soviet people in the struggle against servility to the bourgeois West, and in combating bureaucracy, predatoriness, the subordination of the public good to personal motives. All these plays foster Soviet patriotism and endeavour to show on the stage, by dint of artistic images, the new and progressive elements coming to birth in Soviet society'.

Flouting the Party's directive on the Soviet repertoire, the indictment went on, the anti-patriotic group had concentrated its attacks not against really harmful and inferior work, but against that which came nearest to meeting the Party's requirements. Ostensibly they criticized artistic imperfections, but in fact it was the patriotic content of the plays which provoked their attacks. 'We have to do not with casual and unconnected mistakes,' said *Pravda*, 'but with a system of anti-patriotic views detrimental to the development of our literature and art.' The anti-patriots had banded together and disposed their forces strategically. They were most at home in the all-Union Theatrical Society, but they had occupied key positions throughout the theatrical world as critics, directors, teachers, and historians of the theatre. They had expressed themselves most boldly in the magazines *Theatre* and *Soviet Art*, but their writings had reached a wider public in the pages of the national daily press. They had endeavoured to 'jostle Soviet writers and artists off the correct path indicated by the Party, to divorce their creative work from the life and the struggle of the Soviet people'. In their slavish worship of the West they had 'held up as examples the corrupt works of reactionaries and ideologists of decadent bourgeois art'. They had 'adopted a nihilistic attitude to the great past of Russian drama and the Russian theatre'; they had insulted Gorky's plays and tried to falsify the history of the Soviet theatre. They had become the mouthpiece and medium of 'bourgeois ideology hostile to the Soviet people and caused not a little harm to Soviet drama, the Soviet stage, and the education of new cadres for Soviet literature and art. Devoid of the sacred feeling of love for their Soviet motherland and for socialist culture, they have in their filthy writings and speeches fawned on foreigners whilst slandering all that is new and Soviet.'

Simonov even went so far as to connect the activities of the 'anti-patriotic' theatre critics with the 'cold war'. 'The theatre is an important, a critical sector of the ideological conflict. At the present time the cold war which international reaction is waging against the U.S.S.R. and the peoples' democracies manifests itself with special force on the ideological front. Reaction is attempting the spiritual disarmament of Soviet man, trying to poison his consciousness. Reaction aims its blows against the

living root of the Soviet system—against the policy of our Party. The activities of the bourgeois aesthetes and cosmopolitans now unmasked were aimed against it too.'

The realities underlying this indictment emerge clearly when we examine specific charges levelled against individual 'homeless cosmopolitans'. Y. Yuzovsky and A. Gurvich are usually named as the leaders of the group. Yuzovsky is an old offender. Years earlier, in reviewing Gorky's *Petty Bourgeois*, he had tempered his 'jesuitical' praise with the suggestion that the hero Nil, the prototype of all proletarian heroes in Soviet drama, was an imperfect creation, that Gorky was in this play more publicist than artist, and that he did not always take care to weave his propaganda skilfully into the artistic fabric of the play. This concern for 'artistic fabric', this 'mask of bourgeois aestheticism', concealed a counter-revolutionary and anti-patriotic reality. In the same way Yuzovsky, while 'hissing through his teeth words of lordly patronage', jeered at the plots of Surov's *Far from Stalingrad* and Chirskov's *Victors*. He had even dared to say of the role for which the actress Rodionova had received a Stalin Prize, that 'this lyricism of martyrdom is very far from the romanticism we seek'. He had waxed sarcastic at the expense of the 'bold and happy' type of hero in Soviet plays, whose creators 'not infrequently write according to a thesis'. The heroes were 'self-satisfied', playwrights often 'did not want to think' and so 'did not allow their heroes to think'. 'Odiously tittering' over what he called 'the mystical presumption of the inevitability of success, once a Soviet hero is engaged in the struggle for it', Yuzovsky had asserted that 'this philosophy has nothing in common with the dialectic of life'.

Gurvich also had shown himself dissatisfied with the patriotic heroes of the Soviet stage and had disadvantageously compared Soviet drama with the Russian classical stage. Many Soviet stage heroines, he said, were colourless, passionless, unreal. Worse still, he had slandered the Russian national character. The complacent humour and naively credulous optimism of Pogodin's plays, said Gurvich bitterly, filled the Russian spectator with the joy of recognition, for 'Russian folk are no strangers to complacency'. Soviet drama was too 'primitive' and 'limited' (his own words) to satisfy the refined aesthete Gurvich. He wanted complications of character and an analysis of the contradictions inside a personality. *Hamlet* was for him the peak of world literature. He longed for 'Hamletism', for split personalities, vacillations, and doubts. The Bolshevik heroes of Soviet patriotic drama were too single-hearted, too much of a piece for his liking. Like Yuzovsky, he committed the supreme sin of pleading for diversity in Soviet drama and entered protest after protest against the process of

levelling and standardization observable in every sphere of Soviet artistic life today.

It was further insisted that the ringleaders of the anti-patriotic group had reacted to the Party's directive on 'The Theatrical Repertoire' by 'digging themselves into the musty commissions of the all-Union Theatrical Society. Gathering their friends around them, they set about the creation of a falsified "public opinion", hostile to the new Soviet plays and in fact hostile to the Soviet repertoire itself. They endeavoured to create a sort of literary underground. They howled down all that was best on the Soviet stage. Plays which were honoured with Stalin Prizes were the particular target of their malicious and slanderous attacks.' Some of them wrapped themselves in 'enigmatic silence' Yuzovsky and Gurvich kept quiet while Borshchagovsky, Boyadzhiev, Malyugin, Dairedjiev, Kholodov, Altman, and others spoke for them. The tenor of their complaints against the patriotic drama was much the same. The subject matter, they alleged, was dull and ill presented, the plots over simplified, the characters unreal. They had held up pre-Soviet and non-Russian drama as an example to the patriotic playwrights and regarded Russian drama as inferior to the European stage. Boyadzhiev saw 'no genuine inspiration, no genuine passions' in Soviet drama; complained of the standardization of productions on the Soviet stage; and was so heinously unpatriotic as to claim that Molière's plays had helped to develop the genius of the great realist actor Shchepkin (1788–1863). Malyugin even wrote: 'We are not satisfied by those plays in which the authors fervently describe the hero's social activity and his creative work while steering clear of his private life.' He had betrayed his cosmopolitan outlook by defending Sakhnovsky's *Thoughts on Theatrical Production*, which was utterly vitiated by subservience to the West. He had maintained that Stanislavsky had fruitfully studied the work of 'European bourgeois producers', and had asked in his article on Sakhnovsky's book: 'Since when was Russia not part of Europe? Since when was Russian culture a non-European culture?' Malyugin's own plays were greatly indebted to American models. The leadership of the Union of Soviet Writers was seriously to blame in allowing this 'lackey of the foreign bourgeois and aggressive philistine' to remain so long at the head of its Drama Commission.

In addition to Malyugin's iniquities, an article by another leading member of the 'cosmopolitan' group, B. Dairedzhiev, had found its way into the pages of the metropolitan newspaper *Trud*. In it he attacked N. Virta's play *Our Daily Bread*, asserting that the author had set about his task armed only with the formulae of a directive (the directive of the Central Committee on 'Theatri-

cal Repertoires' should not be so lightly mentioned) and his own fifteen-year-old observations. In other words, he had mastered neither his subject nor the technique of writing for the theatre. M. Levin had called it a fundamental weakness of Surov's play *Far from Stalingrad* that the author 'quotes from life too much'. I. Altman had demanded at the first all-Union Conference of Producers that playwrights should bring along to the theatre a finished work. 'When our playwrights say, "Work on this with me", they mean "I've brought a bad play, perhaps an unwritten play, a mere libretto. Please write it for me." ' This complaint, said the *Literary Gazette*, was prompted by Altman's desire to sever the links between playwrights, especially young playwrights, and the theatres. In a survey of plays produced in 1947 the same offender by-passed all the significant productions of the year and deliberately concentrated on those of secondary importance. This was in order to minimize all that was good and politically sound in the year's plays.

THE REALITY

These citations from *Pravda*, *Literary Gazette*, and *Culture and Life*, from speeches by Sofronov (to a meeting of the Union of Soviet Writers' Party group), and by Simonov (to a meeting of Moscow dramatists and critics) do not by any means exhaust the list of the accused, or the variations on the stock charges brought against them. But they adequately represent the case against the cosmopolitan group of theatre critics.

The case is grossly over-stated. Even within its own terms of reference it is crudely distorted. The offenders did not receive a fair hearing; their 'loathsome attempts to wriggle out of it' were severely dealt with by the Party pundits. It is worth while attempting to assess soberly and objectively the position of the 'anti-patriotic group' and the reasons for their condemnation. The real sin of the 'cosmopolitans' is that of 'professionalism'. They were too interested in the theatre as such, and this interest seems to have transcended their duty to accept the Party's rulings on social priorities. The Party evaluates plays according to their propaganda content; the cosmopolitans were concerned with the writing of the play and its effectiveness as a theatrical production. It should be noted that, for all their complaints about the plots of the patriotic plays, the 'cosmopolitans' did not condemn the prescribed propaganda themes as such. Indeed, their criticism might be defended as a legitimate interpretation of the spirit of the Party directive. Obviously a well-acted play with strong characterization and an original and interesting plot makes better propaganda than a banal and pedestrian variation on a standard 'patriotic' model. The

'cosmopolitans' did not attack the concept of a patriotic drama (whether or not they were hostile to it); they attacked the 'faceless' Bolshevik hero without personality, and the humdrum play rattling remorselessly along the Party line to its too facile conclusion. They are damned as 'unpatriotic' because they are shrewd and honest critics of the drama. The present campaign against them was summed up in advance by Gurvich in his book, *In Search of a Hero*. 'A lazy and lame drama,' he wrote, 'out of the instinct for self-preservation hastily knocks together an armour of theory whose protection enables it to prolong its career of easy victories.' The 'patriotic' playwrights, handling intrinsically difficult subjects in a cautiously dull and superficial fashion, cannot plead that their work is close to Soviet reality. It is close to the monotonously bright and glossy 'reality' of VOKS, perhaps, but closer still to the scholastic abstractions of Stalinist ideology.

The cosmopolitans were particularly rash in asking for some variety in the writing and production of plays. 'Standardization', in the sense of anxious conformity to and scrupulous imitation of approved models, is an inevitable consequence of the rigid ideological control of art. Moreover, it makes the task of ideological supervision easier. This levelling process is, of course, far advanced in every department of Soviet life. Even the denunciations of the 'cosmopolitans' by the victorious 'patriots' were carefully modelled on the most authoritative anathemizations—those pronounced by *Pravda* and *Culture and Life*. Whole paragraphs were solemnly repeated verbatim, as an expression of his own views, by speaker after speaker at the protest meetings. Novels, poetry, plays, paintings, sculpture, and music alike are reduced by this process of standardization to a dead level of monotony and the correct repetition of approved platitudes. In the Soviet Union today the arts have become mere auxiliaries of the press, quite secondary components of the propaganda machine. It is to be expected that anyone who criticizes a technically inferior and aesthetically insignificant work of art, which is nevertheless ideologically correct and topical, is guilty of anti-Revolutionary and anti-patriotic activities.

The classification of the dissident theatre critics as 'homeless cosmopolitans' is virtually a sentence of outlawry. Soviet propaganda's main current theme is that of Soviet patriotism, the glorification of all that is 'new, progressive, and Soviet', the vindication of Russian priority and separateness in science, literature, and art, and the condemnation of 'bourgeois' Western culture and its values. One or two typically and not unusually petty instances of offences against Soviet patriotism have been quoted above. It is no longer safe in Soviet Russia to admit that Russian culture or

Russian learning is in any way indebted to, let alone derived from, that of Western Europe, or even to consider Russia as simply one member of the European cultural family. The Party bosses have decreed the U.S.S.R's cultural isolation from the rest of the world: as far as the Soviet intelligentsia is concerned, the legislation is retrospective.

THE JEWS AND 'HOMELESS COSMOPOLITANISM'

Many, indeed the majority, of the 'homeless cosmopolitans' so far publicly condemned by name are Jews. It would be ridiculous, however, to see in the episode an outburst of anti-Semitism. Jews are, and always have been, very numerous and prominent in the Soviet theatrical and artistic world, and a cosmopolitan outlook is, naturally enough, common in Jewish communities everywhere. Nevertheless, it is not impossible that the Party's present action has been precipitated by a recrudescence of a strong Jewish group feeling in the U.S.S.R., perhaps conditioned by the emergence of Israel as an independent State. It is certain that the Party is anxious to stress the presence of a large number of 'homeless cosmopolitans' among the Soviet Jews, since the Soviet press has resorted on several occasions to the long-abandoned practice of printing in brackets the original names of those Jewish 'cosmopolitans' who have taken Russian names. Particularly interesting in this connection is a criticism in the *Literary Gazette* of 12 February of the printed project for the 'Literature of the Soviet Peoples' section of the newly-commissioned Second Edition of the Great Soviet Encyclopedia. 'The cosmopolitan, objectivist views of the authors of this project,' says the critic, 'are especially evident from their outlook on Jewish literature and the names which they have included in this section.' The authors make the extremely curious note that 'this list embraces *the whole* of Jewish literature'. Modern Jewish literature 'occupies as much space in the project as Uzbek, Kazakh, and Georgian literature put together. The authors make a mockery of the principle of Party spirit and the feeling of Soviet patriotism. They take the whole of Jewish literature, without distinction of country or system of government, and trot out the cosmopolitan bourgeois nationalist notion, which plays into the hands of our motherland's enemies, of the existence of a so-called "universal" Jewish literature. In their list, Soviet writers stand side by side with the smart-alick business men of modern America, Palestine, and other countries'. The concept of a single world-wide Jewish literature was attributed by the critic to 'servile subservience to bourgeois-nationalist theories hostile to the U.S.S.R.'

THE POVERTY OF PHILOSOPHY

The case of the 'homeless cosmopolitans' raises again in the

acutest form a number of problems which Soviet philosophy has so far shown itself impotent to solve. The arts and sciences, according to Marxism, like everything else, obey the laws of Marxist dialectic in their development. In the socialist era the contradictions, whose resolution into higher and qualitatively different syntheses is the mechanism of progress, express themselves in the form of 'criticism and self-criticism'. Under the 'dictatorship of the proletariat', however, the permitted margin for divergences of opinion is progressively narrowing. The fiat of the Central Committee establishes immutable laws of nature and unassailable aesthetic standards. The process of development by the spontaneous interplay of 'contradictions' becomes less and less possible. A shrewd and sarcastic theatre critic, Rudnitsky, was recently quoted by Sofronov as saying that 'There is no longer any place for drama in our socialist society. There is not enough "friction" in our everyday life to provide material'. It is, indeed, becoming increasingly apparent that there is not enough friction. Not enough freedom of criticism or room for initiative in the U.S.S.R. to ensure the efficient implementation of the Party's day-to-day plans, let alone to guarantee the smooth and rapid intellectual and social development towards Communism which the Party pretends is in progress.

The arts in the Soviet Union are more and more losing touch with reality. They have become mere adjuncts of the press The method which the Soviet artist is supposed to follow in his creative work is that of 'socialist realism', which, in Zhdanov's words, 'cannot be divorced from revolutionary romanticism'. This means that the artist must not portray things as they are or as he sees them. His subject is the *emergent* reality decreed by the ideological dictators. The artist's function is to help bring to birth this emergent reality. How can he do so? By pretending in his work that it is much nearer realization than in fact it is. The creative method of Soviet art, and indeed the whole outlook of the Bolshevik Party today, has as much in common with the anarchist theory of the 'Great Myth' and with the psychological method of Coué as with Marxism. But if the artist must pretend that what is not so is, or is nearly so, in order that it may become so, the critic is in an even worse position. He must second the artist's pretence and must assess his work with reference only to its adequacy as a paraphrase of an actual or potential *Pravda* leader. One of the condemned 'cosmopolitans' was so exacerbated by this deprivation of intellectual freedom that he publicly suggested an annual 'Hamburg audit' of Soviet drama. Workers, dramatists, and critics, he said, should get together once a year behind locked doors and, for the sake of their consciences and the health of their

critical faculties, draw up an honestly voted place-list of the year's productions, instead of the published ideologically expedient place-list. This inevitable split in the consciousness of the Soviet intelligentsia, the enfeeblement of Soviet intellectual life of which the purge of 'homeless cosmopolitans' is only a very minor symptom, must inevitably impair the health and retard the development of Soviet society as a whole.

T. W.

THE REVIVAL OF FLEMISH NATIONALISM IN BELGIUM

NATIONALIST movements between the two wars played a fundamental part in international politics, though in Western Europe they had only a restricted significance. An exception was the Flemish movement, which exercised an influence at times decisive in the internal and even in the foreign policy of Belgium. After the end of the second World War some observers believed that this manifestation of nationalism had been definitely eliminated. It is becoming increasingly clear that they were mistaken. We are here concerned with the present position of the Flemish Nationalist Movement and its implications.

Something must first be said about its origins. Modern Belgium came into being after the revolution of 1830, when the separation from Holland took place. The new Belgian State was organized in accordance with the principles current at that time. That is to say, power fell into the hands of a small minority of the more wealthy citizens, mainly large landed proprietors and members of the industrial bourgeoisie. This moneyed class was almost exclusively French-speaking, both in the Walloon and in the Flemish regions, and in many instances was completely ignorant of Flemish. Thus the new Belgian State was virtually organized as officially a purely French-speaking country, despite the fact that a large section of the population spoke Flemish.

Reaction against this state of affairs only emerged gradually. It originated in circles interested in literature, philology, and in the customs and traditions of the past, and it slowly gained ground among intellectuals. But its real influence only began to be felt towards the end of the nineteenth century. This awakening of the

Flemish national consciousness occurred mainly in country districts, a fact which deserves a word of explanation.

Until recent times the Flemish countryside was still living under an almost feudal régime, a condition which persists in some districts even today. The real authority in a village belonged to the 'chatelain', the 'baron', usually a large landed proprietor, whose representative for all practical purposes was the village curé. The peasants had to put up with this state of affairs whether they liked it or not. They had no effective court of appeal, for no party took any interest in them. The Catholic or conservative Party was the party of the landed proprietors themselves. The Liberal Party was formed chiefly from the industrial bourgeoisie, and had no intention of wasting its efforts in a sterile attempt to attract a small fraction of the peasants. The Socialist Party was interested only in the urban workers. Thus the political attitude of the mass of the peasants remained one of passive submission towards the conservative landowners.

This condition persisted until, at the end of the last century, the Christian Democrat movement came into being. This movement was remarkable in that in the countryside it very soon assumed a definitely Flemish-national character, and in fact this aspect seems to have gone a long way towards ensuring the movement's success. Its progress in the Flemish country districts affords a curious and striking proof of the power of national sentiment. For centuries these districts had lived in complete submission, especially towards the Church. For its part, the Church, and especially the higher clergy, adopted a definite attitude of opposition towards the Flemish movement. But this had small effect, and for the first time numbers of Flemish peasants were seen embarking upon open rebellion against religious authority in the name of Flemish national feeling.

Thus the Flemish movement, which had its origins mainly in intellectual and semi-intellectual circles, found its broad popular base in the mass of the Catholic peasants, among whom quite a large number adhered to it. On the other hand the movement won little substantial support among either the working classes or the urban haute bourgeoisie, though it gradually gained ground among the lesser bourgeoisie.

Up to the beginning of the first World War, the Flemish national movement adopted an anti-Belgian attitude only in quite exceptional instances. But during the war the Radical minority wing of the 'Flamingants'[1] agreed to collaborate with the Germans. Under the German occupation they set up a Flemish national govern-

[1] This term was applied to the most outspoken defenders of the Flemish movement.

ment. In the enthusiasm of victory after 1918, Belgian opinion tended to under-estimate the importance of this 'Activist' movement (this was the name given to the Flamingant section which chose to collaborate with the Germans in hopes of realizing a Flemish programme). But the number of votes obtained in the post-war elections by the Front Party,[1] which succeeded the Activist movement, speaks for itself.

The post-1918 Flemish movement differed, however, from its predecessor. It was anti-Belgian, and aimed at changing the political structure of the Belgian State. Its moderate members were federalists, and their aim was to set up a federation of the Flemish, Walloon, and Bruxellois states. Others, more extreme, wanted an independent Flanders, while yet another section looked towards union of the Flemish region with Holland. These were all speculations, theories of intellectuals and politicians playing with ideas, and outside the realm of practical politics.

Then came the economic crisis of the 'thirties. The Front Party, which had never had an economic programme, disappeared. This party had, nevertheless, played an important rôle, because it was largely owing to pressure and sustained agitation from this quarter that Flemish national feeling grew in strength, and the majority parties were forced to concede almost all the Flamingants' demands. Through a series of legislative measures Belgium was gradually transformed into two linguistic regions, Flemish and Walloon, with Brussels remaining theoretically bilingual and in practice French.

Thus, though the economic crisis brought about the dissolution of the Front Party, it did not destroy the Flemish movement. Instead, its character altered; it became authoritarian and Fascist, and—though this is difficult to assert definitely—it seems to have gained considerable ground among the small bourgeoisie. New organizations followed each other in quick succession. First there was the *Verbond van Dietsche Nationaal Solidaristen*, known as 'Dinaso' or 'Verdinaso', led by van Severen, which possessed considerable influence round about 1933, but which virtually committed suicide by modifying its avowed aims. This originally Fascist Greater-Netherlands movement became instead a Fascist-Belgian movement, which resulted in an immediate loss of influence in Flanders. More effective was the V.N.V. (*Vlaamsch Nationaal Verbond*), the Flemish nationalist movement led by Staf Declercq. The less clearly defined and more general tendencies of this movement gave it a wider appeal but reduced its dynamic force. The National-Socialist movement does not appear

[1] This name arose from the agitation which prevailed among the Flemish soldiers at the Front during the first World War.

to have had any popular influence in Flanders before the war.

There followed the German occupation of Belgium from 1940 to 1944, with its corollary, collaboration. It would be inaccurate to say that all Flemish Nationalists became collaborators, or that collaborators were drawn exclusively from their ranks. But it is at least certain that the leading Flemish Nationalist circles openly expressed their sympathy with a German victory, an attitude which equally certainly reflected the views of a very large proportion of their followers.

After the liberation there were two cogent arguments in favour of writing 'finis' to the story of Flemish Nationalism. In the first place, there was good reason for thinking that a movement which had openly identified itself with the oppressors, not only of Belgium (which itself would not count in the eyes of a Nationalist) but of every man and woman in Europe, should be permanently disqualified. Secondly, the war, with the sharp break with the past that it implied, had in effect brought about the liquidation of the last unjustifiable but traditional privileges which still assured to the French language a certain pre-eminence in Belgium. Laws voted between the two wars ensured equality between Flemings and Walloons; and as a result of the rapid increase in the percentage of Flemings to Walloons, the Flemings were, after 1944, in a favourable position to dominate Belgian life, so much so that a return to their previous minority position no longer seemed likely. This being so, it was reasonable to suppose that the Flemish nationalist movement, shorn of its *raison d'être*, would not revive, and that, on the contrary, an uprising of Walloon nationalism might be expected. The immediate post-war situation bore out this hypothesis, but subsequent developments proved otherwise. The Walloon nationalist movement, handicapped by the secession of the Liégeois (who concentrated rather on a 'Liégeois' movement, centering around the Meuse Valley), seemed to hang fire. The Flemish nationalist movement, on the other hand, became active once more.

What are the reasons behind this development? Two basic factors govern Flemish neo-Nationalism: the Flemings' inferiority complex, and the measures taken against collaborators. As to the first point, suffice it to say that the Flemings have retained a minority mentality. Such an attitude of mind takes more than a few years to efface, and in the meantime it creates a propitious atmosphere for unrest, in which in this instance the effects of repression acted as a strong ferment. As to the repressive measures taken against collaborators, it is unnecessary here to recapitulate all the pros and cons for this manifestation, which was no doubt common to all liberated countries. It is now generally realized how

impossible it was, in the immediate post-liberation atmosphere, and among popular masses stirred by powerful sentiments, to distinguish between treason, crime, weakness, and error. No country appears to have succeeded in doing so, and the condemnation of innocent persons effectively aided the cause of the real culprits. It has proved only too easy to discredit justifiable condemnations on the grounds of the many mistakes made.

The post-war attitude of the Resistance also tended to reinforce the position of the collaborators. The men of the Resistance considered that they had a special claim to be heard because of all they had done and suffered. This attitude, though not indefensible, was lacking in sound psychology. The mass of citizens who had remained passive during the occupation found it highly distasteful to see those who had played an active part in Resistance asserting themselves after the war. Thus it was not long before a common front formed against the Resistance, and it soon found arguments of weight in the struggle against the Communists. The latter had played an important and active part in the Resistance (though in Belgium, as elsewhere, the Resistance was of course far from exclusively Communist and Left-wing Socialist, despite present Communist claims to that effect). But this situation provided the adversaries of the Resistance with a reason for identifying it with Communism, an accusation which at once placed former members of the Resistance movement in a very vulnerable position, given the strength of anti-Communist opinion. As, moreover, the Resistance insisted on the prolongation of anti-collaborationist measures, it found itself even further compromised by all the errors committed during their application.

This general pattern of a development which has also tended to occur in many other 'liberated' countries was reproduced in every respect in Flanders, with the added special characteristic that Flemish nationalism found therein a new lease of life. As has already been stated, Flemish nationalism went hand in hand with collaboration with the occupiers. Consequently the Flemish Nationalists suffered the full force of the repressive measures. It naturally followed that Flemish Nationalists sought to explain these measures, not as a reprisal for collaboration, but as an expression of hatred for Flemish nationalism; and this explanation soon caught on. The thesis was exploited to the full by the relatives and friends of indicted Flemish Nationalists, and it was the more readily credited inasmuch as unjustifiable persecution of Nationalists seems actually to have occurred. Since then the active propaganda in this sense carried on by hundreds of thousands of relatives and friends of the tens of thousands of Flemish Nationalist collaborators, infiltrating into the Flemish milieu with its defiant

minority mentality, could not fail to produce considerable results. These results can be seen today. Among certain sections of the Flemish masses the Resistance is frowned upon, while collaboration with the Germans is no longer judged blameworthy. Speaking from personal experience the writer can affirm that in a section of young Flemish intellectual opinion it is even no longer admitted that Germany was the aggressor.

Thus a new Flemish Nationalism has arisen once more, which, going back to the pre-war position, is held by some to have a distinctly authoritarian and anti-Belgian trend. In proof of this argument the fact is adduced that several newspapers are now in existence which openly defend the Nationalist tenets outlined above. One of them, *De Nieuwe Standaard*, is said to be the most widely read paper among young Flemish intellectuals. In the general assemblies of the Catholic Party a powerful wing of Flemings exerts its influence and can only with considerable difficulty be restrained by the party leaders. According to a recent pamphlet on university life at Ghent, the Flemish Nationalist wing dominates the Catholic students' organizations there, and if this is the case at Ghent it is probably also true of the University of Louvain.[1]

It is difficult as yet to indicate positive tendencies in this Nationalist movement. It is still at the revival stage and has not had time to define its attitude. All that can be said so far is that it may have anti-parliamentarian tendencies; that it fights anti-collaborationist measures with all its strength; and that its political orientation is towards the extreme Right. It seems to be almost exclusively confined to the Catholic Party. Finally—and this is its most positive aspect—it has pronounced itself to be strongly in favour of the Benelux agreement and for economic union with Holland, and expressly stresses that Benelux constitutes a great step forward towards a Great-Netherlands (Flanders-Holland) State.

The preceding account may perhaps give too precise an impression of Flemish Nationalism. So far it is only a tendency, not an organized movement, and it is not yet possible to say how far it will affect the masses. A curious fact is that its geographical basis appears to have altered. Formerly popular chiefly in the countryside, the movement now seems to draw the majority of its adherents from the cities. It still lacks acknowledged leaders and a clear-cut programme. It may well be that the movement owes its reputation to a vocal minority rather than to a large militant membership—though it is worth noting that its main organ,

[1] There are two Flemish Universities in Belgium—Ghent and Louvain Both have always been centres of the Flemish movement.

De Nieuwe Standaard, has a circulation of 50,000. But there can be little doubt that this tendency will have a considerable influence on the political evolution of Belgium. For the present, it presents an active problem only to the Catholic Party, which is undecided as to the course to pursue. For that party the question is crucial, because in a few months general elections are to take place in Belgium, and as female electors are to vote for the first time, the Catholic Party, which at present holds nearly half the seats in Parliament, cherishes the hope of regaining the absolute majority which it lost in 1920. If the Flemish Nationalists form themselves into a separate party, this would mean the end of the Catholics' hopes in that direction.

The question has also a more general aspect. Belgium, like most other European countries, has since 1944 only superficially recovered its political equilibrium. Anti-parliamentarian tendencies were strong in Flanders before 1939. Socialism combined with controls, which is the present-day policy of Belgian Governments as of other Western European Governments, comes up against a deeply rooted opposition among the masses of the petite bourgeoisie and the peasants. Unable to agree on a positive economic policy, these powerful masses might adopt as a collective framework the anti-parliamentary nationalism of the Flemish neo-Nationalists. This point has not yet been reached, and is still a long way off, but political evolution is sometimes swift in this unstable and ruined post-war world. The coming elections in Belgium will provide a guide to future development.

H. I.

Editorial Note

It is not easy to deal adequately and shortly with the part played by Flemish Nationalism during the war and its sequel, or with the significance of the movement today. Experts disagree in their interpretations, and the above article gives one side of the case. To readjust the balance, we enumerate here some points raised by another expert.

It should, of course, be remembered that, while the Flemings are predominantly Catholic and Conservative, it was the combined voices of Flemings and Socialists that decided questions of defence and foreign policy between the wars. And the total number of Walloons who collaborated during the war was much the same as the total number of Flemings who did the same.

Further, it is not the Resistance of the 'Occupation', which included members of all political parties, that is now discredited, but what is known as the 'Resistance of the Liberation', a derisive way of referring to the Communists. For the latter not only claim

all the credit for the Resistance in the war, but even suggest that their political opponents were collaborators. This in turn reminds the Flemings of the lawless days of the Liberation, when so-called Resistance bands—and some of these were genuine—murdered and plundered throughout the country, particularly in Flanders.

While some of the released collaborators and their relatives try to reinstate themselves by confusing the issue and posing as anti-Communist victims, it should be understood that some of the Communists have adopted the role of martyrs for the Resistance.

Finally, in speaking of Louvain University, a distinction should be made between, on the one hand, the majority of student opinion there, which has always been strongly Flemish Nationalist, and, on the other hand, the views of the Professors and University authorities. For the latter, this Flemish Nationalist trend among Louvain students, who are drawn largely from the Flemish countryside, has presented a long-standing problem.

THE REGIONAL ECONOMIC COMMISSIONS OF THE UNITED NATIONS

IN these days of Public Relations Officers it is refreshing to find an international organization which almost discourages publicity. The Economic Commission for Europe, which is one of three far-flung regional agencies within the framework of the United Nations, should be clearly distinguished from the Organization for European Economic Co-operation, which is confined to countries benefiting by Marshall Aid. It is a highly specialized agency, and its achievements must lie in the field of technical agreements made by experts and carried out by Governments which appreciate the advantages derived. Such agreements are often extremely complicated and they are seldom spectacular: they might well be prejudiced by untimely publicity which might raise questions of national prestige. But lack of publicity need not imply that there is nothing to say. In recording the facts, this article will inevitably suggest that Europe would be much the poorer if it had no Economic Commission, and that the similar Commissions

for the Far East and Latin America, and probably the proposed Commission for the Middle East, have much useful work before them.

THE ECONOMIC COMMISSION FOR EUROPE

Formation

In the summer of 1946 the United Nations Temporary Sub-Commission on the Economic Reconstruction of Devastated Areas made surveys of the European situation. From these it was clear that a co-ordinated approach to the problems revealed was advisable, especially with the closing down of U.N.R.R.A. It was obvious that the effectiveness of any new organization would be enhanced if it could include and benefit from the experience of the three already established organizations dealing with European economic matters: the European Coal Organization, the European Central Inland Transport Organization, and the Emergency Economic Committee for Europe. The United Kingdom took the lead, supported by Poland and the United States, in advocating the creation of an Economic Commission for Europe, first in the Economic and Social Council in September 1946, and later in the Economic and Financial Committee of the General Assembly meeting in December. The U.S.S.R., which had at first been hesitant, supported the proposal at this latter meeting, possibly having come to see the necessity for such an organization from the point of view of her neighbour countries who were still dependent on the West for many supplies. On the recommendation of the General Assembly, the Economic and Social Council considered the matter favourably and set up the Economic Commission for Europe by resolution on 28 March 1947. The terms of reference of the Commission (which also served as a model for the two other regional economic commissions set up later) include the following main points.[1]

Terms of Reference

The Commission is to initiate and participate in measures for facilitating concerted action for the economic reconstruction of the areas concerned for raising the level of economic activity there and for maintaining and strengthening the economic relations of these areas both among themselves and with other countries of the world; make or sponsor such investigations and studies of economic and technological problems and developments within the territories

[1] The complete terms of reference are set out in the following documents: for the Economic Commission for Europe, Doc. E/CN. 10/1; for the Economic Commission for Asia and the Far East, Doc E/CN. 11/29; for the Economic Commission for Latin America, Doc. E/712.

concerned as the Commission deems appropriate; undertake or sponsor the collection, evaluation, and dissemination of such economic, technological, and statistical information as the Commission deems appropriate.

No action with respect to any country may be taken without the agreement of that country's Government.

Recommendations may be made direct to the member Governments.

The specialized agencies of the United Nations shall be invited to attend when concerned; other organizations may be so invited.

The work of the Commission is to be reviewed by the Council not later than 1951.

Having been defeated on ten amendments, the U.S.S.R abstained from voting on the resolution, so her attitude was still in doubt until a day or two before the first meeting of the Commission, when she sent telegrams asking for reservations to be made for a large delegation, or rather three delegations, since the Ukraine and Byelo-Russia were also members. The members of the Commission are the European members of the United Nations together with the United States of America, but all the other European countries except Spain are in practice invited to meetings which concern them. The representation of Germany has caused difficulties, as will be seen later.

Early Days

The first two meetings of the Commission in May and July 1947 were largely devoted to organizational matters, including the procedure for taking over the work of the three existing European economic organizations.[1] The transfer of responsibility to the Economic Commission for Europe was effected from the Emergency Economic Committee in September 1947, from the European Central Inland Transport Organization in October, and from the European Coal Organization in December of the same year.

One of the first tasks was the appointment of an Executive Secretary; a candidate acceptable to all the members was found in the Swedish economist, Dr Gunnar Myrdal, then a Cabinet Minister. Much of the success of the organization can be attributed to the care with which Dr Myrdal built up his staff, and to his wise diplomacy in dealing with the member nations of the Commission. The staff has, in a remarkably short time, achieved a great reputation for ability and impartiality; so much so that there is

[1] For reviews of the work of these organizations, see U.N. Documents. E/ECE/7-9.

strong competition for posts, as is indicated by the receipt of over 700 applications for about ten technical but comparatively junior posts which were recently advertised. The international balance of the staff is shown by the fact that ten countries, three of them East European, are represented in the thirteen senior posts.

An impressive array of committees, working parties, and study groups has been set up to deal with coal, steel, electric power, industry and materials, manpower, timber, agriculture, inland transport, industrial development, and trade. In the first eight months of the Commission's active life fifty committee meetings were held, attended by 1,750 Government representatives. To service these meetings and to do the research and other work of the Commission there is a total staff of 174, of which half is professional staff. The total budget for 1949 is under £250,000.[1] There is close co-operation with other bodies concerned in the same fields,[2] especially with the functional organizations of the U.N. such as the Food and Agriculture Organization, which is lending its own personnel for work in E.C.E. on agriculture and timber.

Achievements

Not the least of the achievements of E.C.E. has been its research work, which has already resulted in the production of two notable documents, the *Survey of the Economic Situation and Prospects of Europe* (Geneva, 1948) and one on the potentialities for increased trade and accelerated industrial development in Europe. These documents are a most valuable addition to the scanty reliable statistical information on post-war Europe. Statistical methods themselves are the subject of study, and efforts are being made to improve them and to standardize their presentation.

In the practical field a few examples may be given of the work done. E.C.E. has made possible the timber agreement by which five exporting countries, all, with the exception of Austria, from Eastern Europe, will increase their exports by $120 million over two years in exchange for machinery to be supplied by six West European countries through the establishment of credits; credits to the value of $8 million are being made available by the International Bank for reconstruction and development. In continuing and developing the functions of E.C.I.T.O., E.C.E. has facilitated the exchange of goods waggons in international traffic, and has made progress in simplifying international road transport conditions and in studying the restoration of inland waterways to full

[1] E.C.E. is housed in U.N. European Regional Headquarters and is not separately charged for such items as premises.
[2] See *Annual Report to Economic and Social Council* (UN. E/791).

use. In the coal and steel committees, E.C.E. has followed the good work of E.C.O. in allocating available supplies, and, as the absolute shortage of coal recedes, has turned its attention to allocation by specific qualities for special needs. E.C.E. has increased the allocation of metallurgical coke to France and Belgium from the Ruhr mines by persuading domestic coke users to reduce their demands; this was expected to increase total steel production in the last nine months of 1948 by one and a half million tons.

A committee of E.C.E. is working on methods of increasing production of electric power and facilitating its transmission and sale across national boundaries, but the exciting possibilities which have been envisaged in this connection have not yet reached the report stage. One interesting example of E.C.E. methods was the approach to the problem of the shortage of silica bricks. After a thorough discussion by all the countries concerned, it was realized that production could be increased by co-operation in three ways. Manpower was to be increased in the quartzite quarries of the French Zone of Germany by the transfer of Italian and other workers. Shortages of equipment could be made good by transfer of bulldozers and other material from U.S. army surpluses in Germany. Coal movements, which had been much interrupted, could be given priority. By these means production was materially increased. At the same time suggestions were made as to possible substitute materials.

Difficulties

This creditable record of achievement might leave the impression that all has been easy. But the practical approach of the working committees and staff to the problems before them does not altogether prevent international tension. Votes are not necessary in the working committees as their results depend on unanimity, since without this the decisions would not be carried out and cannot be enforced. In the meetings of the Commission itself the attitude of the different Powers is more clearly shown.

The U.S.S.R. continues to give its support to E.C.E., as is shown in its allowing an eminent Russian economist, Dr Koktomov, to become Dr Myrdal's deputy; but its attitude is critical. The U.S.S.R. has constantly criticized E.C.E. on the grounds that it is too theoretical and is not contributing enough to the restoration and development of devastated (i.e. East European) countries, and also because of its alleged interference in domestic affairs (which is impossible for a consultative body) and its dealings with Germany. Russia maintains that E.C.E. should only deal with the Four-Power secretariat in Berlin, though the wording of the Commission's terms of reference are not absolutely clear on this

point. E.E.C.E. had an office in the Bi-Zone at Minden, so E.C.E. had a good reason for consulting with the Bi-Zone when it could get no answer from Berlin to its request for representation there. In any case, the first session of the Commission had instructed Dr Myrdal to write to the four zone commanders in May 1947 asking in general terms for their co-operation. This the Western Powers promised, but no reply was received from Marshal Sokolovsky till October 1947, when he said he would postpone action till the Foreign Ministers had decided on Germany's economic future. It was clear that Germany could not be left out of discussions affecting Europe as a whole, and the present position is covered by a Swedish compromise resolution passed at the third session of the Commission in April and May 1948. This resolution required the renewal of consultation with the Allied Control Council with a view to terminating the Frankfurt office of E.C.E. (transferred from Minden in November 1947). The matter will presumably be discussed again at the next session of the Commission on 9 May.

The period of greatest strain was probably when the Marshall Plan was first outlined and considered. Russia's refusal to participate ruled out the possibility of E.C.E. acting as the executive body, and it seemed very doubtful whether the organization could continue effectively. There are some signs that Britain's own early enthusiasm for E.C.E. is somewhat diminished by preoccupation with the Organization for European Economic Cooperation, but this is denied officially and it is true that Britain still sends very strong delegations to Geneva. The original Paris report specifically refers to the need for E.C.E. to continue its work, besides making clear the continuing dependence of the Western nations on trade with Eastern Europe if the plan were to succeed.

O.E.E.C. and E.C.E.

The general public can scarcely be blamed for some confusion in its mind between two organizations with such similar initials and such comparable objectives, particularly when the same people represent their countries at both. A recent example of such confusion was the suggestion that E.C.E. had criticized Britain's coal export prices. Actually the initiative in raising this matter had been taken by the Economic Co-operation Administration with O.E.E.C., and not with E.C.E., but Mr Hoffman's adviser on coal was Mr Charles Jeffers, until recently director of E.C.E. Coal Division and still chairman of its coal allocation committee.

The distinction between the two organizations can however be readily made. The O.E.E.C. is confined to the nineteen Marshall

Aid countries (all Europe except Spain and the Slav bloc), while E.C.E. draws in all the European countries (except Spain) and also the U.S.A., which is only formally represented in O.E.E.C. through its representatives for the Bi-Zone. As stated above, actual membership of E.C.E. is confined to member States of U.N.

O.E.E.C. has had its hands full so far with planning and correlation of national plans and allocation of U.S. aid; as yet, with the important exception of the multilateral payments scheme, co-operation between its members has not produced much in the way of practical results. E.C.E., on the other hand, is mainly concerned with securing practical benefits through the discussion of specific difficulties and opportunities for development; as has been shown, it already has substantial achievements to its credit. The E.C.E. is, however, limited to the subjects which its members agree to discuss, whereas the O.E.E.C. embraces the whole economy of each member, and indeed depends for its success on the frankness with which its members disclose their problems and policies.

There is no formal connection between the two organizations, though Britain and France notified E.C.E. at the third session of the steps being taken towards the creation of O.E.E.C. Each organization does nevertheless benefit from the existence of the other, making use of published material and in other ways; there is little sense of rivalry, and what contacts there are on a secretariat level are friendly and mutually advantageous. Overlapping may not be entirely excluded, but there is little sign of it yet, and it is made less likely by the fact that the same Government experts frequently attend the committees of both organizations, and also by the fact that Mr Harriman is the chief American representative to both.

Prospects

The greatest value of E.C.E. undoubtedly lies in the link it provides between the relatively closed economies of East and West Europe. The West values the link for purposes of trade as a means to economic survival, the East as a means to the industrial development it places so high in its planning.[1]

There is genuine mutual benefit to be obtained from working together. Even without executive power or financial resources, E.C.E. can do much by providing a meeting-ground for the discussion of technical economic problems; in this way general shortages can be speedily recognized and solutions devised, while localized shortages can be adjusted. E.C.E. is organizing European self-help by making the most effective use of existing resources through the unanimous agreement of interested Governments; it

[1] See 'East-West Trade in Europe', in *The World Today*, March 1949.

is doing this over the whole continent, whereas O.E.E.C. is restricted to its nineteen member States.

It is perhaps too much to expect the Economic Commission for Europe to be the seed from which a more comprehensive form of closer European co-operation might develop, but encouragement can at least be found in the continued existence and healthy life of this inter-Governmental European functional organization which does bridge the gap created by political rivalries.

THE ECONOMIC COMMISSION FOR THE FAR EAST

Besides dealing with Europe, the Temporary Sub-Commission for Devastated Areas appointed a Working Group for Asia and the Far East. This body was unable to make direct investigations in the area, but used information collected by the Secretariat to make a report in March 1947.[1] This report recommended the Council to set up an Economic Commission for Asia and the Far East. There were two main grounds for this recommendation: first, the extent of war devastation in an area where previously most of the people had only lived on the margin of subsistence; and secondly, the need to reconstruct Asian economy in order to implement the pledge contained in Article 55 of the Charter, on the promotion of higher standards of living, conditions of stability, and well-being. The General Assembly resolution of December 1946 recommended the Council to consider setting up an Asian and Far Eastern Commission as well as one for Europe. This the Council agreed to do on 18 March 1947. The area coming under consideration was roughly that lying between the U.S.S.R. and Australia, stretching from Pakistan to the Philippines.[2] Membership was to consist of member States of U.N. from that area, together with Australia, France, the Netherlands, the United Kingdom, the United States, and the U.S.S.R. Later New Zealand was allowed to participate, and Burma and Pakistan joined the original members when they were admitted to the United Nations. Japan and Korea were treated in the same way as Germany in relation to E.C.E., that is to say, consultation with the Allied authorities in occupation was encouraged.

The Headquarters was to be situated at the Far East Regional Office of the United Nations; pending its establishment, the office has been at Shanghai. The Budget for 1949 approved by the General Assembly was for £147,000. The Executive Secretary is Mr P. S. Lokanathan (India), formerly editor of *The Eastern*

[1] See U N. Document, E/307/Rev 1.

[2] The countries coming within the sphere of the Commission's activities are: Borneo, Burma, Ceylon, China, India, Indo-China, Hong-Kong, Malaya, Netherlands Indies, Pakistan, the Philippines, and Siam.

Economist and a professor of economics at Madras University. Sessions have been held at Shanghai (June 1947), the Philippines (November-December 1947), Ootacumund, India (June 1948), and at Lapstone, Australia (November-December 1948).

At the first session the introduction of associate membership was approved. Associate membership is open to those countries within the area which are not responsible for the conduct of their international relations. Application for associate membership is made by them through the country so responsible. Some opposition to the method of application was expressed by countries which feared that the colonial Powers might not forward applications from such countries as Indo-China and the Netherlands Indies. Associate members take full part in the work of the Commission but have no vote. The Asian countries, especially India, wanted them to have a vote too, so as to redress the original balance of voting, according to which there were six non-Asiatic countries (including the U.S.S.R.) to four Asiatic countries. If Russia is treated as an Asiatic country and new members are counted, the voting ratio of full members is now 6:7 in favour of the Asiatic countries.

The most difficult membership problem has been that of Indonesia, from whom there were two applications, one direct from the Republic and one through the Netherlands. The matter was twice postponed and nearly a third time, but towards the end of the fourth session a decision was pressed for and the Republic admitted. In consequence, the Netherlands withdrew its own delegation and left 'the rest of Indonesia' unrepresented,[1] as it considered that the Commission had acted beyond its competence. At this session a cabled request for admission from Viet Nam was ruled out by the Chairman as being inadequately presented.

The main concerns of the Commission have been as follows. Surveys have been undertaken covering the economic situation in the various countries[2] and their needs and, in particular, how far those needs could be met from local resources. A detailed study has been made of plans for economic development, including possible steps to secure capital equipment and encourage investment, financial requirements, and the improvement of banking and credit facilities. Trade has been promoted both within the area and with other parts of the world. Methods of training administrators and technicians have been investigated in co-operation with the I.L.O. Co-operation with F.A.O. on agriculture and timber has been set

[1] The Commission provided for representatives both from the Republic and from 'the rest of Indonesia'.

[2] The first such survey has recently become available in this country *Economic Survey of Asia and the Far East*, 1947 (U.N. Department of Economic Affairs, Shanghai, 1948)

on foot. A meeting of transport experts has been arranged. Finally, steps have been taken towards the improvement of statistical and economic documentation.

One specific scheme which has now been approved, after two references to the Economic and Social Council, is the establishment of a Bureau of Flood Control. This Bureau is to have a staff of not more than five experts, with an annual Budget of £25,000. It is to study the problems of control of flooding of the Asian rivers, make recommendations for the training of personnel, and undertake any other appropriate work in its field, reporting annually to the Commission.

The Commission has been criticized by the U.S.S.R. on the grounds that it tends to further the economic interests of the colonial Powers instead of seeking to make the various countries more independent. The Executive Secretary himself said at the fourth session that the work of the Commission 'had so far been mainly in the direction of organizing specific studies with a view to collecting and assembling essential data as a basis for action, and that the time had come when lines of action should be clearly indicated, and the manner in which that action could be developed should also be defined; the Commission's efforts should produce more concrete results'.

Faced with the vast and difficult problems of the Asian economy, there is a danger that the Commission will content itself with worthy resolutions and general appeals for help to other countries, especially as tangible aid can normally only be the outcome of direct negotiations between the countries concerned. The Commission can, however, serve usefully even in this way by focussing attention on the continuing needs of the area, and it can assist its members to clarify their needs, besides organizing self-help and giving technical assistance.

THE ECONOMIC COMMISSION FOR LATIN AMERICA

At the fifth session of the Economic and Social Council in July 1947, Chile submitted a resolution recommending the establishment of an Economic Commission for Latin America. The resolution pointed out the acute economic crisis which had arisen in Latin America as a result of the contributions made to the common effort during the war. It stressed also the need for united action to develop the economies of the countries concerned so as to raise their standards of living and benefit the world economic structure. The Council appointed an Ad Hoc Committee to consider the factors involved and also to ascertain the views of the Ninth International Conference of American States which was due to meet the following January. It was argued that the existence o

the Inter-American Economic and Social Council made the establishment of a Commission for Latin America superfluous; a second criticism claims that, as the area was not devastated by the war, it is not comparable to Europe and the Far East, and that it was therefore a new departure to admit the principle of setting up regional commissions for general economic development.

The Ad Hoc Committee recommended the establishment of E.C.L.A. with the special aims of finding solutions to Latin America's problems resulting from world economic maladjustments, with a view to linking the Latin American countries with the common effort to achieve world-wide recovery and economic stability. In later discussions with representatives of the Inter-American Economic Council at the first session of the Commission lines of co-operation were discussed, and it was agreed that the Commission should concentrate on the regional aspects of the economy of the area and on relations with the rest of the world. Careful preparations were made to secure co-ordination between the two bodies and to prevent overlapping. The establishment of E.C.L.A. was finally approved by the Economic and Social Council on 25 February 1948.

Membership comprises countries which are members of the United Nations in all the Americas and the Caribbean area, France, Netherlands, and the United Kingdom. Any other territory in the area can apply to become an associate member. The U.S.S.R. sought to be included but was outvoted, since other countries claimed that she had no direct responsibilities in the area. The field of action of the Commission was confined to such countries in Central and South America and the Caribbean as participated in the Commission as members or associate members.

The first session was held in Santiago de Chile in June 1948 and it was agreed to make the headquarters of the Commission there. In December Mr G. M. Cabanas, of Mexico, a former professor of the Mexico School of Economics and Director of Administrative Management in the Ministry of National Property, was appointed Executive Secretary. There is a staff of about fifty, including fifteen economists. The Budget for 1949 was agreed by the General Assembly at £96,000.

At this first session the Commission defined its field of operations, and decided to centre its first work on a basic survey of the economic situation of Latin America. Matters to be studied and to be related to the Survey included the following: provision of technical assistance, agricultural prices (in conjunction with F.A.O.), marketing of raw materials, immigration, inflation, terms of trade, free ports, needs in equipment and machinery, transport (referred to Transport and Communications Commission of the

Economic and Social Council), multilateral compensation payments scheme (with help of International Monetary Fund), credit policies, and the effect of European economic reconstruction on Latin America. A discussion on the development of a Customs Union was postponed. It is too early yet to make a judgment on the effectiveness of the work of this Commission.

THE ECONOMIC COMMISSION FOR THE MIDDLE EAST

This Commission is not yet in existence, though the preparatory work on it has been completed and the Economic and Social Council is likely to authorize its establishment as soon as the countries primarily concerned agree that conditions are appropriate. The desirability of setting up such a commission was mentioned in the Council earlier than any reference to E.C.L.A.[1] but it has taken longer to set it up, first because it was less strongly pressed, and more recently because of the disturbances in the Middle East.

In the preliminary discussions the area to be covered was a matter for debate, as the term 'Middle East' is conveniently elastic. The countries suggested as members were then (before the recognition of the State of Israel) Afghanistan, Egypt, Ethiopia, Greece, Iraq, Iran, Lebanon, Saudi Arabia, Syria, Turkey, Yemen. Non-self-governing territories were to be eligible as associate members. The striking fact in this list is the absence of any great Powers. Despite their obvious interests in the area, the United Kingdom and the United States recognized that their presence was not desired by the Middle Eastern countries. The U.S.S.R. sought admission on the grounds of being the only neighbouring great Power, but was outvoted in the Ad Hoc Committee dealing with the matter.

The reasons advanced in favour of an E.C.M.E. were, first, the economic difficulties created for the region by the war, particularly inflation and the interruption of the normal trade channels, and secondly the acknowledged need for development in order to raise the standards of living of the area and to strengthen economic relations with the rest of the world. In October 1947 the General Assembly approved a resolution of its Economic and Financial Committee to invite the Economic and Social Council to give favourable consideration to creating an E.C.M.E. The Council set up an Ad Hoc Committee for this purpose at their sixth session in March 1948. This committee made a favourable recommendation, but the Council, for lack of time, postponed a decision at its

[1] At the fourth session (March 1947) Dr Malik of Lebanon twice said he would raise the matter at the next session, once in relation to a full employment discussion, and again when the Middle East was excluded from the E.C.E.

seventh session. To avoid this happening again, the intereste countries persuaded the General Assembly to pass a resolutio recommending the Council to expedite the matter. It was there fore something of a surprise when the Lebanon took the initiativ in the Economic Committee at the eighth session of the Counc in proposing an adjournment till the forthcoming ninth sessior

There is no doubt as to the room for development and co-opera tion in the Middle East, or as to the possibilities confronting a expert, independent body, provided that the Governments wi take action when the way is shown. The Commission, howevei may well find itself envying the resources and the practicall mandatory powers of the Middle East Supply Council, beside taking advantage of that organization's experience.

CONCLUSIONS

If and when the Middle East Commission is eventually estab lished, the chain of regional economic commissions will be com pleted. All the major areas of the world except Africa and Nort America will be covered. Africa has too few independent membe States of the United Nations to justify this type of U.N. action and the North American economy scarcely calls for such remedia action. Much of the evidence on which to base a considere opinion of the merits of this type of regional economic organiza tion will only become available at a later date. In recognition o this fact, the Economic and Social Council decided at its sixtl session to recommend its Economic and Employment Com mission to postpone the examination of the question of regiona economic commissions 'as a means for promoting the aims an objectives of the United Nations'.

Practical achievements are few as yet. Nevertheless, the indica tions are that on balance the Commissions will be a constructiv influence, not only in the purely economic field, but also on th side of peace. All the Commissions place surveys and fact-findin high on their programmes, and progress in reconstruction an development will be more rapid and on sounder lines as adequat information becomes available. In most cases the possible increas of trade within the regions is limited, as the economies of th member countries tend to be competitive rather than comple mentary. But it is difficult to imagine any realistic basis other thai the regional one for achieving a more intensive co-operation thai could be arrived at on a global scale. The Commissions ar naturally restricted by lack of executive power, but their mer existence as standing organizations for economic co-operation is signal advance on the anarchical methods of the inter-war period

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NOTES OF THE MONTH

The Future of Spain

THE recent decision of the General Assembly of the United Nations not to support a resolution sanctioning the return of Ambassadors to Madrid has deprived General Franco of a diplomatic victory for which he had made long and careful preparation. The real value of such a victory lay in its promise of others to come, and more particularly in the eventual inclusion of Spain among the recipients of Marshall Aid. Meanwhile, a second and perhaps more immediately serious set-back has been Spain's failure to obtain a loan from the Export-Import Bank, despite guarded hints from the State Department that no political obstacle would be placed in the way. This failure is a measure of the extent to which Spain is regarded as an unsound financial risk at the present time. For Spain's economy is indeed in a parlous state, and can only be restored by the infusion of United States dollars. But without strict conditions of supervision a large proportion of any loan would be likely to find its way into the pockets of those who have already made the vast bureaucratic machine, which is the Spanish Government, a by-word for corruption even among Franco's supporters.

Shortage of rolling-stock and Spain's inability to obtain material to renew her permanent way have made communications a serious brake on her economy. Agriculture, on which the country depends for exports, is crippled for lack of fertilizers and agricultural machinery, while Spain's growing number of light industries are in need of machinery and raw materials such as cotton. These difficulties have been greatly increased by a prolonged drought, only recently broken, which almost brought the wheels of industry to a standstill during the winter. The principal source of power in Spain is electricity, and although a number of new hydro-electric plants have been installed, shortage of water reduced the power available to such an extent that factories in Barcelona were working only a few hours each day, while conditions for private consumers

resembled those in Berlin. The number of firms forced to go into liquidation was an indication of the serious effect of this prolonged shortage of power.

Franco's reaction when faced with a rebuff from the West has been to turn to the Spanish-speaking countries of Latin America, particularly the Argentine. When in April 1948 the U.S. Congress voted to exclude Spain from Marshall Aid, Franco hastily concluded a fresh trade agreement with the Perón Government. But difficulties have arisen over this agreement, and although shipments of wheat to Spain have recently been renewed, the agreement has not fulfilled Franco's hopes. In any case, the Argentine is unable to supply rolling-stock, fertilizers, and machinery which are essential to Spain's recovery. Franco has said that Spain will make do without Marshall Aid, but in spite of minor improvements, such as the import of small consignments of lorries and engines, the economy of the country is gradually running down. But it has somehow survived until now and may continue to survive still longer. And meanwhile there is always the bogey of chaos and Communism with which to threaten the State should things reach breaking point.

Franco has until now believed that if he could hold out for long enough the tide of events would turn in his favour. While pressure groups in the United States, such as cotton exporters, and influential circles in Great Britain are working in Franco's favour, his most powerful allies are probably the U.S. Service Departments who would like to see Spain fully integrated into Western defence. But as long as Franco is in power there is no guarantee that Spain would in fact play her part in Western defence unless it were specifically to her advantage to do so. Franco's past record in evading action despite pressure from Hitler and Mussolini, together with repeated statements by him that Spain would remain neutral in the event of another war, do not augur well for any who seek to rely on Franco as an ally. It is within the bounds of possibility that Franco might accept with both hands the aid necessary to make Spain a strategic base, and, unless immediately threatened with Russian invasion, pull a long nose when asked to provide the *quid pro quo*.

In March 1946 a wholly unrealistic statement was made by France, Great Britain, and the United States setting out the conditions upon which they would recognize a new Spanish Government with which it was hoped the Spanish people would replace the Franco Government. The Spanish people are not in a position to change their Government. It is the Army that is in control of the political situation and up till now Franco has had their full support. The Monarchy enjoys a wide measure of passive support in

Spain, and although it is unlikely that the Army would at present countenance any form of compromise with the exiled Socialists, it is just possible that if the United States were to promise Spain a substantial loan on condition that Franco were to retire and to hand over the reins of government to Don Juan, the Army might see fit to enforce this condition. This manoeuvre, while disposing of Franco himself, would be likely to leave many problems unsolved, since there would be little real change in the existing régime in which the Army is firmly and profitably entrenched. But any step in the right direction, however small, may perhaps be considered preferable to the present impasse.

Hong Kong

Reports of the despatch of reinforcements to Hong Kong may create an impression in the minds of readers that the colony is in the military sense an 'outpost of Empire'—a Far Eastern Gibraltar. Nothing could be further from the truth. Hong Kong is no fortress, and with a tightly packed civilian population of perhaps two million people in the twin cities of Victoria and Kowloon, the great majority of them Chinese, with a highly vulnerable water supply, and with at present only one airfield and that inadequate, the colony cannot be regarded as easily defensible against a modern army. It has, moreover, little or no strategic significance to Britain.

The commercial importance of Hong Kong can, however, hardly be over-estimated. It is one of the world's greatest entrepôt centres, a free port to which merchants of any nation can send their goods for trans-shipment or for cheap and safe storage until markets can be found for them in the surrounding territories. It is also the nodal point of Far Eastern communications. It possesses the finest commercial dockyards in the East, so that shipping lines crossing the Pacific use its facilities for overhauls and repairs in preference to those of Japan, the United States, and elsewhere. It provides banking and allied services of a security unknown in most Far Eastern countries. It is, in fact, under British rule, one of the few firm bases for free international trade in the Far East, and its abandonment by the British would be a tremendous blow to international trade in that area.

For the qualification 'under British rule' is important. When the island of Hong Kong was ceded to Britain in 1842—most of the land on which Kowloon now stands was ceded in 1860 and the rest of the territory, on which most of the water supply depends, was obtained from China in 1898 on a 99 years lease—it was a bare and fever-ridden rock, the occasional haunt of pirates. Its remarkable growth has been entirely dependent upon the security, good government, and freedom secured by British rule, particu-

larly as this has contrasted with conditions in China. That this is so has recently again been shown by the remarkable recovery Hong Kong has made from the destruction of Japanese conquest, as compared with China itself, a comparison perhaps most easily pointed by noting that since the war Hong Kong's trade has outstripped that of the whole of China.

What of the future? A full-scale military attack on the colony by the Chinese Communists seems improbable, though 'incidents' caused by over-zealous and over-confident local commanders are not impossible. An attack on the prosperity of the colony by strikes and boycotts would probably be much more attractive. Such an attack was in fact tried by the Canton Government, which then included the Communists, in 1925 and 1926. A general strike today would no doubt be as formidable a weapon as it was in 1925, but the recent reinforcements will enable the Hong Kong Government to deal firmly with any violence which may accompany strike action, and will give the people of the colony increased confidence in the Government's ability to maintain law and order. A boycott in China on trade with Hong Kong would probably be far less important than in 1925, for Hong Kong is no longer so much concerned with trade with China, the great bulk of its entrepôt trade being between other South and East Asian countries and between them and the outside world. Even if, therefore, the Chinese Communists were permanently to revert to the position of the Chinese Emperor who in 1793 informed Lord Macartney that 'Our Celestial Empire possesses all things in prolific abundance and lacks no products within its own borders. There is, therefore, no need to import the manufactures of outside barbarians in exchange for our products', Hong Kong would continue to be of vital importance to the trade of the Far East.

Stalemate on the Italian Colonies

Once again no agreement has been reached as to the future of the former Italian colonies. A margin of one vote in the General Assembly has made all the difference between success and failure to settle this long-outstanding problem. This time the question was being discussed by the United Nations. The four Powers who are the chief arbiters of the colonies' fate—the United Kingdom, the U.S.A., France, and the U.S.S.R.—failed to reach any agreement last September, when the imposed time-limit for settlement by them under the terms of the Peace Treaty expired. The Peace Treaty provided that in this event the question should be referred to the United Nations; hence its appearance on the agenda at Lake Success.

There it seemed, after five weeks of fruitless discussion, as if

a real prospect of agreement was offered by the Bevin-Sforza plan, the result of conversations between the two Ministers when Count Sforza was in London early in May for the first Council of Europe meeting. The plan, in brief, provided an attempt to meet in some degree the aspirations of all the Powers concerned. Its proposals were as follows:

LIBYA.	Libya to have independence in ten years if the U.N. General Assembly then approved. In the meantime, *Tripolitania* should come under Italian trusteeship in 1951, continuing for the interim period under British administration; Britain to be assisted by an advisory council of representatives of the U.S.A., France, Italy, Egypt, and the local inhabitants. *Cyrenaica* to be placed under British trusteeship. *The Fezzan* to be placed under French trusteeship.
ITALIAN SOMALILAND.	To be placed under Italian trusteeship.
ERITREA.	To be divided between Ethiopia and Anglo-Egyptian Sudan, with treaty safeguards. *Eastern Eritrea* to go to Ethiopia, which was to have a corridor to the sea and the Danakil coast. *Asmara* and *Massawa* (in Eastern Eritrea) were to have a special status, with protection for Italian interests. *The North-Western Regions of Eritrea* (the Muslim tribal areas) were to be separated from Eritrea and added to Anglo-Egyptian Sudan.

These proposals were endorsed by the Political Committee of the U.N. General Assembly on 13 May, by 34 votes to 16, with 7 abstentions. Had this order of voting been maintained in the General Assembly, it would have given the two-thirds majority necessary for the final endorsement of the plan. The crux, however, proved to lie in the provision regarding the return of Tripolitania to Italian administration for eight years, which in the clause-by-clause voting in the General Assembly failed by one vote (33 to 17, with 8 abstentions) to reach the required two-thirds majority. After that, it soon became clear that it would be impossible to save the plan as a whole. The Latin American delegates, who in all number nineteen, had all along made it plain that they would only support a scheme which ensured some measure of satisfaction for Italy's aspirations, and also that they were opposed to any piecemeal solution. They therefore withdrew their support from the plan as a whole, and the draft was consequently rejected in the General Assembly by 37 votes to 14, with 7 abstentions. The Russian proposal for direct trusteeship by the United Nations, and the Latin American proposal to refer

the question to the Interim Committee, or 'Little Assembly', having both sustained severe defeats, the whole matter is now postponed until the next session of the United Nations in September.

As there is to be yet another prolongation of this impasse of nearly four years' standing, it may be of interest to pause for a moment to sum up very broadly the divergent views adopted in the past by the various Powers involved.

Of the four great Powers concerned, France has been the only one who has shown consistency throughout. Ever since the first discussions in September 1945, she has advocated Italian trusteeship for all the territories, with the sole proviso that she herself wishes to have control of the Fezzan region of Libya. The United States originally, in September 1945, proposed United Nations trusteeship for all the colonies, a suggestion with which at the time the United Kingdom tentatively agreed; but the idea was abandoned owing to Russian opposition. Subsequently, following on the report of the Four-Power Commission of Enquiry which visited the colonies during the winter of 1947–8, the U.S.A., U.K., and France agreed in advising Italian trusteeship for Somaliland, and also on the general principle that Ethiopia should be given an outlet to the sea on the Danakil coast; but they differed in detail as to the remaining problems. The United Kingdom, bound by Mr Eden's pledge to the Senussi of 8 January 1942, proposed that she should herself undertake the administration of Cyrenaica, and here British and American views coincided, as also in proposing a postponement for a year of any decision about Tripolitania and the Fezzan. Britain, however, held more extreme views than the U.S.A. on the subject of Eritrea, at that time proposing that the whole of that region should be placed under trusteeship for ten years with Ethiopia as the administering authority. This view was subsequently modified, and at Lake Success, before the Bevin-Sforza plan came on the tapis, the United Kingdom advocated that the provinces of Eritrea which form part of the Ethiopian plateau should be ceded to Ethiopia, with protection for minority rights, while the western provinces should be treated separately—a view in which the U.S. concurred in so far as the western provinces and Ethiopian access to the sea were concerned.

In relation to these views, which have undergone frequent modifications on points of detail, the Russian line has been simple, if inconsistent to a point which suggests pure opportunism. In September 1945 the Russians opposed the U.S. proposal for international trusteeship. At that time they themselves advanced a claim for trusteeship over Tripolitania, and later on proposed a division of trusteeship for each individual colony between each of the four great Powers, the U.S.S.R. to have administration of

Tripolitania (Mr Dulles recently stated that it was this attitude that then prevented a settlement). In 1946 they suddenly came out in support of the French proposal for Italian administration for all the colonies, and continued in this view after the Commission of Enquiry had produced its report last year. And at the latest meeting at Lake Success, with yet another volte-face, they harked back to the Byrnes proposal of 1945 and came out in favour of United Nations trusteeship for all four colonies. Faced with this resurrection of the original American proposals, Mr Dulles was forced to explain that times had changed and the Trusteeship Council could no longer be regarded as a harmonious body.

Finally, against this background of international divergence, Count Sforza at Lake Success strongly presented Italy's view that she should be given, under United Nations mandate, the administration of Somaliland and Tripolitania. He made no direct reference to Tripolitania, but mentioned Italy's desire for co-operation with Britain on the North African coast; and he strongly deprecated any suggestion that Eritrea should be annexed to Ethiopia, though he agreed that the latter should have an outlet to the sea at Assab. Here it should perhaps be recalled that, owing to the continued Russian veto, Italy is still not a member of the United Nations, so that this technical difficulty would have to be solved were she to be given a mandate under the U.N.

The intervening four months before the question comes up again may be expected to produce a renewed phase of strenuous lobbying on the part of the Powers most nearly concerned. Arab fears of Italy's return have been thoroughly awakened, and the scheme has already evoked threats of revolt in Tripolitania. In Italy, first reactions suggest that the last-minute rejection of the plan has come as a genuine disappointment. True, die-hard colonial opinion there was dismayed at the prospective loss of Eritrea; but this is only a small and unrepresentative section of Italian opinion as a whole. There is little doubt that moderate Italians would have been willing to regard Count Sforza's hard-won compromise as one calculated both to meet, at any rate to some extent, Italy's individual aspirations, and also to enable Italy to work in with other nations within a larger framework. The realization of this latter aim has constituted one of the main trends of post-war Italian foreign policy under Count Sforza's guidance, and has already been partly realized in the economic and political spheres through Italy's membership of O.E.E.C. and of the Council of Europe. The opposition encountered by Italy's adherence to those bodies from Left-wing opinion in the country suggests that the Italian Communists will not be slow to make capital out of this latest set-back in the colonial sphere.

Soviet Trade Unions: a Belated Congress

After an interval of precisely seventeen years (to a day) the Soviet Trade Unions have at last held their Tenth All-Union Congress, which took place from 19 to 27 April. Between this and the previous Congress Trade Union affairs have been conducted by the All-Union Central Council of Trade Unions (AUCCTU), not so much on the basis of the Statutes and Constitution of 1919 and 1922 (which, incidentally, provided for the calling of an Annual Congress), as on the basis of amendments and resolutions adopted at the AUCCTU sessions. No explanation of the seventeen-year gap was offered from the platform, nor was the question raised by any delegate. During the interim period the most important change in the function of the Trade Unions was brought about in 1933 by their taking over the functions and part of the apparatus of the People's Commissariat for Labour, which then ceased to exist—a change which signified the final incorporation of the Trade Unions into the apparatus of the Soviet State. But this event occurred too long ago to merit attention at the recent Congress. Instead it adopted new Statutes, more appropriate to the 'new period of gradual transition to Communism'.

Both the AUCCTU Secretary, A. P. Osipov, who moved the adoption of the Statutes, and the Chairman, V. V. Kuznetsov, who gave the report on the activities of the AUCCTU, suggested that this new period required new organizational forms and different methods of work. The Trade Unions, as 'schools of Communism' and as the link between the Communist Party and the working class, had to educate the masses 'in a spirit of Soviet patriotism' to greater labour discipline and to 'a Communist attitude' towards work and socialist property. This point found expression in two of the paragraphs listing a Trade Unionist's duties: strict adherence to 'State and labour discipline', and the protection of socialist property, 'the sacred and inviolable foundation of the Soviet régime, the source of the wealth and the might of the Fatherland'. Two other paragraphs demanded the raising of qualifications and skill, adherence to Trade Union rules, and prompt payment of fees. In conformity with the general trend in the Soviet Union since the war, the speeches dwelt on the patriotism and loyalty of the Soviet people and underlined that 'democracy' was the basis of all Trade Union activities. It was also stated that the Trade Unions declared war on any hostile ideology, and on survivals of capitalism, servility to bourgeois Western culture, and cosmopolitanism. The main task of the Trade Unions was the 'strengthening of socialist society and its political régime', and also of the 'moral-political unity of the Soviet people'. Though a non-party organization, declared Osipov, the Trade Unions derived their

strength from, and worked under, the leadership of the Communist Party.

This emphasis on the political and moral educational role of the Trade Unions does not, however, in the least diminish their importance as stimulators of higher labour productivity, a function which has been assigned to them almost since the inception of the Soviet State. But whereas, according to the 1919 Constitution, the Trade Unions were *inter alia* 'to represent and protect the interests of their members. . .', the new Statutes merely grant members the right to appeal to their Union for protection in case of a break of the collective agreement on the part of the management, or on matters of social services, insurance, etc. The advantages of belonging to a Trade Union as laid down in the new Statutes are twofold: active participation in the building of the State and the management of production, and material advantages, such as higher insurance benefits, priority for rest homes and other social services, legal advice, sport, entertainment, and the right to obtain grants and loans from Trade Union funds. The right of membership is now extended not only to workers and employees, but also to university and college students and pupils of factory schools. The new Statute stipulates the calling of an All-Union Congress once every four years.

Kuznetsov gave no figures on wages or on productivity of labour, although these had been given in 1932. Neither did the Auditing Commission disclose the budget of the AUCCTU; in their report they operated almost exclusively with percentages based on unpublished figures for 1940.

Of considerable interest is the report of the Mandatory Commission, the most informative of all, though even here not all the figures are comparable with those given at the Ninth Congress. The sixty-seven Soviet Trade Unions existing at present (after a de-concentration in the 'thirties their numbers had, by 1943, risen to 200; the process is now once more reversed), representing 28·5 million members, had sent 1343 delegates. In 1932, 17·5 million members were represented by 1507 delegates (of whom 463 had no voting power), composed of 84·9 per cent workers (half of whom were directly engaged in production, i.e. factory workers) and 15·1 per cent employees. The social composition of the delegates to the Tenth Congress was 23·5 per cent workers, 41·5 per cent Trade Union officials on all levels (506 were members of Central Committees of Trade Unions), and 9·4 per cent engineers and technicians (a privileged category with a special Trade Union Section). The remainder, about 25·6 per cent, were not classified but consisted presumably of employees, intellectuals such as the President of the Soviet Academy of Sciences, S. T.

Vavilov and the President of the Academy of Arts, A. M. Gerasimov, State officials, including Molotov, Malenkov, Beria, Voroshilov, Mikoyan, and others. The proportion of party members to non-party delegates had decreased from 76 to not quite 70 per cent. The number of women delegates had increased from 18 to 39·5 per cent. One hundred and fifty delegates were also members of the Supreme Soviet, 1131 had been awarded one or more Government distinction, and twenty-eight of the delegates were Stalin prizewinners. The Chairman of the Mandatory Commission, N. V. Popova, proudly registered that 71 per cent of the delegates had secondary and high school education, an increase of about 30 per cent compared with 1932, which in her opinion demonstrated the improved educational standard of the Soviet working population. No analysis of the length of Trade Union membership or the number of years at work was given this time. The age composition of the delegates seems to have risen. In 1932, 16·4 per cent were under the age of twenty-five; at this Congress only about 8 per cent were in that age group. Roughly 35 per cent were between twenty-six and thirty-nine, and about 35 per cent between forty and forty-nine. The rest were over fifty

Speaking about the international activities of the Soviet Trade Unions, Kuznetsov reported that 'under the direction of the State Department of the United States and the A.F. of L. a conspiracy against the WFTU was organized and a plan to undermine it from within was worked out. The shameful role of executors of this plan was taken over by the leaders of the British TUC and the American CIO'.

From the figures quoted above and from the fact that practically all who took part in the 'discussions' were high Trade Union or State officials (members of the Central Committees of the Unions, Ministers, Presidents of Academies, factory managers who reported on the work of their organizations) one gets the impression that this was a gathering of the Soviet élite, a demonstration meeting, approving decisions already arrived at behind the scenes, rather than a gathering of Trade Unionists thrashing out their problems and future activities in discussion.

The 'Economic Survey of Europe in 1948'

The United Nations' Economic Commission for Europe in Geneva has just published its *Economic Survey of Europe in* 1948,[1] the second of a series of surveys begun last year. In the preface to it the Executive Secretary of the E.C.E., Mr Gunnar Myrdal, points out that although Europe has made very substantial pro-

[1] United Nations Department of Economic Affairs: Research and Planning Division, Economic Commission for Europe, Geneva, 1949.

gress in all spheres of its economic life during 1948, some of her fundamental problems cannot be solved on a purely European basis, but their solution will depend on developments in the world as a whole. Consequently the Survey not only describes and analyses achievements in the fields of production, internal monetary and price stability and public finance, intra-European trade and payments, and national economic planning, but it also devotes an important section to Europe's external economic relations and the problems arising out of them.

Industrial production in Europe (excluding the U.S.S.R.) in 1948 was 96 per cent of the 1938 figure, some 15 per cent higher than in 1947. If Germany is excluded from the average, output in 1948 was 13 per cent higher than pre-war. The production index for the U.S.S.R. shows a level 18 per cent higher than in 1938. In no country did production decline, although progress was slower in some than in others. Various factors account for this substantial progress: the post-war shortage of fuel and certain basic raw materials had been largely overcome, employment in industry had risen and was nearly 10 per cent higher than before the war, and, most important, productivity of labour had increased by 9 per cent, and was nearing its pre-war level

The recovery in agricultural production was much slower, the crop-year 1947–48 yielding only about three-quarters of the average of 1934–38 in Europe outside the U.S.S.R. Partial returns and estimates for 1948–49 put agricultural production at 85 per cent of pre-war. In the U.S.S.R. agricultural output in 1948 is said to have been as high as in 1940.

Most European countries had in 1948 achieved a measure of internal stability. Although prices continued to rise, the pace was slower than in 1947. Increase in wholesale prices ranged from 2–5 per cent (against 10–20 per cent in 1947), and in the second half of 1948 prices in a number of countries tended to decline. The main exceptions to this trend were France and Greece, where increases were much more considerable and active inflation continued. Greater monetary stability was achieved through the creation of Budget surpluses (of the countries for which information is given in the Report, only Italy, Norway, and the Netherlands had a Budget deficit) in the financial year beginning in 1948, through credit restriction (Italy, Belgium), through control of investment, etc. Furthermore, in the U.S.S.R., Germany, and Austria currency reforms were carried out at the end of 1947 and in 1948, which drastically reduced the volume of money. Europe's import surplus from overseas, which is discussed in a later section of the Survey, was also an important stabilizing factor.

In 1948 the total volume of foreign trade of European countries

continued to increase by comparison with the two preceding years, but it still remained some 14–18 per cent below 1938. The trade deficit was equivalent to some $6 milliard. Taking the trade of Europe as a whole, we find that there was a shift in its geographical distribution: imports from overseas have declined from their abnormally high level in 1947, and exports have increased. Both were greater in volume in 1948 than before the war; intra-European trade has expanded appreciably, but in 1948 it was still only 69 per cent of 1938. It is, however, noticeable that European countries have become more important to each other as a source of imports: in 1947 only about one-third of imports into European countries came from European sources, while in 1948 the proportion was nearly one-half.

Inside Europe the most spectacular expansion in trade took place behind the 'iron curtain'. The volume of trade among Eastern European countries (including the U.S.S.R.) in 1948 was nearly three times as great as in 1938, and it has nearly doubled between 1947 and 1948. It must, however, be remembered that trade among Eastern European countries in 1938 was insignificant. Trade among the countries of Western Europe also made good progress, increasing in volume by about one-fifth between 1947 and 1948, to 72 per cent of 1938. The small volume of Germany's trade in 1948 accounts very largely for this low figure; if the latter is excluded from the counting, the volume of trade among the other western countries was slightly above the 1938 level.

In spite of the improvement in Europe's foreign trade, her most serious problem remains her balance of payments deficit, particularly with the Western Hemisphere. Although the overall deficit, equivalent to $5.6 milliard in 1948, was $2 milliard less than in 1947, the gap is still very considerable. To cover it, Europe as a whole would have to increase her exports by some 55–60 per cent. The deficit with the U.S.A. alone amounted to $3.6 milliard; to eliminate it exports would have to be increased by something like 300 per cent. An expansion in exports to the U.S.A. of that order of magnitude would require a major change in U.S. foreign trade policy. Alternatively, the U.S. might have to curtail its exports to Europe, or go on financing her export surplus with loans.

The Survey goes on to say that a solution of Europe's balance of payments problem is essential if present standards of living are to be maintained. However, in itself a balance in external payments will not only fail to raise living standards, but may even have to be brought about by further cuts in them. The more fundamental problem of the European economy is how to raise productivity in industry and agriculture. Productivity varies greatly from country to country, but even in the most technically advanced countries

in Europe it is still far below that of the U.S.A. The problem of increased productivity is being attacked in all national economic plans. But even if the plans were fully realized they would go only a little way towards removing the differences. The problem really needs to be tackled on a European basis; to achieve high productivity not only is greater capital investment required, but also large-scale production for a wide market, and regional specialization. This can only be achieved by closer integration of European economic plans and policies.

The Survey presents a most heartening picture of Europe's recovery, and brings together a mass of information, not only on the economies of Western Europe but also on countries in the Russian orbit, for which the student of European affairs must be grateful.

COMPETING IDEOLOGIES IN KOREA

OF all the absurdities of the post-war 'settlement' the bisection of 'liberated' Korea along the thirty-eighth parallel of latitude has been the most fantastic. The division of a country into zones of military occupation administered by Powers with diametrically opposed policies has also, of course, been seen in Germany and Austria, but Germany is at any rate a comparatively large country, and Austria, since the end of the war, has had a single Government acknowledged throughout its territory. In Korea, on the other hand, a country which was in any case small and weak in relation to neighbours of such bulk as China, Japan, and the Soviet Union has been split into two separate states by a purely artificial frontier which corresponds to no geographical or ethnic division.

Nevertheless, this situation, which was created by the war-time military arrangement to divide Korea into American and Russian occupation zones along the thirty-eighth parallel, has proved remarkably stable. Although the Governments of North and South Korea both claim jurisdiction over the whole country and

the right to represent Korea in international relations, there has been no serious attempt by either to overthrow the other by force. Nor, in spite of much tension and ill-feeling, have there been any really dangerous incidents between the American and Russian armed forces which were until recently confronting one another in Korea. There is in fact a local equilibrium. The two pieces of Korea are, as it were, held in place by the pressures of the Powers behind them. There is no vacuum and there is no uncertainty of frontier; a parallel of latitude is the most arbitrary kind of frontier conceivable, but at least it is definite, admitting of no dispute, and on each side of it effectively functioning administrations have been built up. In terms of military force, North Korea has the stronger army, because the Russians set about organizing and training a Communist Korean army from the very beginning of their occupation, whereas the Americans did not promote any military formation in South Korea until about a year ago. American units still remain in South Korea to compensate for the military inferiority of the Seoul Government; the Russian troops have been withdrawn from North Korea with much dramatic publicity to underline the claim that the 'People's Government' does not depend on foreign aid, but it is not doubted in Korea that they would quickly come back if the North Korean régime were in danger of forcible overthrow.

THE POLITICAL BACKGROUND

The history of the Korean question since the war affords the most striking refutation to be found anywhere of the Communist thesis of an American imperialist conspiracy to reap the fruits of victory in the second World War. If the Americans had been working on any scheme of domination and expansion, their actions in Korea would have shown evidence of a preconceived plan, whereas in fact they have been marked, until recently, by planless improvizations, in the strongest contrast to the steady unfolding of a consistent Russian policy. The Americans delayed, to the point of 'leaning over backwards', all the measures for strengthening the non-Communist forces in Korea which they must have taken if they had been influenced initially by the idea of creating an anti-Soviet régime. For two years all their projects were dependent on assumed Russian co-operation, and alternative action was held up in the persistent hope of obtaining it.

When the American troops first landed in Korea in 1945 they were in no way prepared for a prolonged, exclusively American administration of any part of the country; they regarded Korea not as an enemy, but as a liberated territory, and their primary concern was to disarm and repatriate the Japanese. Beyond that,

the question, discussed at the time in London and Washington, was whether the Koreans should be given full independence immediately in a democratic republic, or whether there should be a transitional period of four-Power Trusteeship, with a Korean national authority under the joint supervision of the United States, Russia, Britain, and China. In view of the political inexperience of the Koreans—who had been allowed no approach to self-government under Japanese rule—the latter solution was favoured, and Russia formally agreed to it. But as soon as the question arose of creating a central Korean administration representing 'democratic parties' to unify the two zones of occupation, the Russians came out with every kind of argument to establish the thesis that only the Communists and fellow-travelling groups should be counted as democratic. In their occupation zone, meanwhile, they had enabled the Korean Communists and their stooges to set up an administrative system and had suppressed all opposition to it. All American attempts to establish Korean unity on a compromise basis were unavailing, and at last it became clear, even to the most patient optimists in Washington, that the Russians were determined to have either Communist rule in a united Korea, or else Communist rule in a separated North Korea, but would not in any case consent to a united Korea in which Communist predominance was not assured.

The Korean question was then referred to the United Nations. But Russia declined to admit its competence to settle Korean affairs, and a United Nations Commission of Inquiry was refused admittance to North Korea. There being no prospect of ending the deadlock, elections were held in South Korea under the supervision of United Nations observers in May 1948, and the Government set up as the result of these elections was recognized as the legal Government of Korea by the United States, Britain, and other western nations. A Communist-controlled Government, which had been meanwhile inaugurated in North Korea, received diplomatic recognition from the Soviet Union and its East European satellites.

ECONOMIC CONTRASTS

Since the greater part of the population of Korea is south of the demarcation line, in terms of man-power the South Korean state is the stronger of the two segments. Economically, however, North Korea has the advantage, and it has been so costly for the United States to make South Korea viable that the Russians probably hoped that the Americans would abandon the task. Under the Japanese, who developed Korea as an economic unit, the country was provided with coal, hydro-electric power, and chemical

fertilizers mainly from areas in the north. In 1944, 79 per cent o coal and 97 per cent of iron ore produced came from territor north of the thirty-eighth parallel. The great hydro-electric work on the Yalu—with most of the installations actually on th Manchurian side of the river—provided power to all Korea, an the fertilizer industry on which Korean agriculture depended wa located nearby.

Moreover, in the Japanese economy, Korean agriculture wa developed in a special way for the convenience of Japan. Japa imported large quantities of rice from Korea to make up its ow deficiency and took steps through economic controls to restric rice consumption in Korea, Korea's food supply being made u with imports of millet from Manchuria. During the war th Japanese diverted the nitrate industry from fertilizers to explosives and agricultural production rapidly declined. After the wa fertilizer production revived in North Korea, but supplies wer withheld from the south and American experts estimated tha agriculture there had declined by 30 per cent from the pre-wa level. Manchuria being for the most part under Communis control, the grain surplus there was not available—except o political terms—for South Korea, but only for the north. Thus th Russian zone of Korea was in a far better position for feeding itself than the American, since it had both the fertilizers and th Manchurian food supplies which were denied to the south. Fo South Korea the cessation of rice exports to Japan was more than offset by the fall in production. But the problem for the Americans was still further aggravated by the deliberate Russian policy of shifting unwanted population from the Russian zone into the American. As the Communists carried out various measures of expropriation and social discrimination against former landlords, officials, and traders, a numerous class of destitute and discontented people was created; the Russian military administration encouraged them to migrate southward, thus relieving food shortages in the north and increasing the burden on American bounty in the south. By the end of 1947 South Korea's population had passed the 20 million mark, having increased by a million and a half since 1945, in spite of the repatriation of about 750,000 Japanese. To make up the deficiency in food supply the American administration imported 650,000 metric tons of foodstuffs in 1946 and 450,000 in 1947. Considerable imports of food are still required, but agriculture is gradually recovering and it is hoped that approximate self-sufficiency in foodstuffs may be attained in 1950.

The problem of fuel and power supplies is still very difficult for South Korea. The supply of electric power from the north was

continued up to the spring of last year, but the threat of cutting it off was used by the Russians as a political bargaining lever, and it was in fact cut off immediately after the May elections. South Korea now produces less than a third of its electric power needs, though efforts are being made to speed up construction of a hydro-electric station on the Sumjin river and a thermal plant on the Samchok coalfield, which may in time remedy the situation. Lack of electric power has naturally been a great handicap to industry in South Korea, and shortage of coal has likewise been serious, especially for the railways. There are anthracite and lignite deposits in South Korea, but they are of inferior quality, and there is no bituminous or coking coal. Production has been increased with the help of newly imported mining machinery, but large imports are, and will continue to be, necessary. If supplies from the Communist-controlled territories of North Korea, Manchuria, and North China are withheld from South Korea, the only source within a reasonable distance is Japan, which has great difficulty in maintaining an output sufficient for its own use and has even had to import coking coal from America since the war.

The maintenance of essential supplies of food, fuel, and capital goods for South Korea has therefore been dependent on American expenditure for which the South Korean economy is unable to make any substantial return. A united Korea would have a fair prospect of economic viability, but a South Korea isolated from the Communist North Asiatic economic bloc has little hope of being able to pay its way by export trade. Among export commodities tungsten is now the most important; Korea was Japan's principal source of supply during the war, and, after a sharp decline in production since the collapse of Japan, output has been again raised to more than 500 tons a month of 60 per cent tungsten. There is also an important production of graphite in South Korea (though it is not of high quality) and appreciable quantities of gold and zinc ores are mined. The Korean fisheries may also in the future serve as a source of foreign exchange. But, broadly speaking, South Korea by itself is at a great disadvantage for foreign trade, and the efforts of the Korean Government, on American advice, are directed towards building up a self-sufficient economy internally rather than to the development of exports. The E.C.A. Administrator, Mr Paul Hoffman, believes that South Korea can be made to stand on its own feet economically in five years if the frontier on the thirty-eighth parallel remains.

THE IDEOLOGICAL CONFLICT

Political considerations prevail over economic interests on both sides. The United States has spent a considerable amount of

money, without expectation of economic return, to enable South Korea to remain independent and resist the blackmailing pressure designed to force it under Communist rule by denial of food, fuel, and power supplies. The Communists, on their side, for political ends have been denying themselves such trade, particularly in light consumer goods, which might be forthcoming from South Korea if fairly free trading conditions were allowed to exist Whether there will be in time a modification of the restrictionist policies—a certain amount of illicit private trade between the two halves of Korea and with Manchuria is said to go on even now—remains to be seen. At present the trade barriers do so much more harm to South Korea than to North Korea and Manchuria that it does not seem to be in the interest of the Communists to lower them, for even if they have failed to achieve their purpose of forcing South Korea into political submission, they have imposed a very satisfactory burden on the finances of America.

In appealing to the masses of the Korean people, the Russians and their Korean Communist auxiliaries achieved an initial advantage by the drastic measures of land re-division which they carried out immediately after the Japanese surrender. The agrarian situation in 1945 certainly offered great possibilities for a revolutionary programme. During the period of Japanese sovereignty the proportion of tenants in the total of cultivators nearly doubled, and in 1945 over three-quarters of the cultivated land was farmed by tenants, rents averaging about 60 per cent of the crop. Many landlords were Korean, but much of the land had passed into Japanese ownership. The Communists expropriated both Japanese and Korean landlords in North Korea and gained strong peasant support by so doing. In the south, on the other hand, the American Military Government at first refrained from touching the system of land tenure. They regarded it as a matter for the future decision of the Korean people, when an independent Korean State had been set up, and held that it would be wrong for a foreign nation to lay down the law on such matters in advance. That the absence of agrarian reform measures in the early period of occupation was not due merely to ideological bias was shown by the policy of the American occupation authority in Japan, where directives for agrarian reform were imposed on the Japanese Government. The Americans took the view that Japan as an ex-enemy country had to obey such orders by the terms of the surrender, whereas it was inappropriate to dictate in questions of social policy to liberated Korea, which should be left free to work out its own destiny. According to the Russians, indeed, Korea was already working out its own destiny through the Communist-sponsored 'People's Committees', but in American eyes these committees

had no regular elective basis and there could be no legal Korean authority until proper elections had been held and a constitution adopted. The landed property of Japanese nationals was indeed confiscated in South Korea, as in the north, but it was thereafter held in trust for the future Korean Government and not at once distributed among the peasants. This contrast with the practice in the north inevitably produced unrest in the south, even though the enthusiasm aroused by the original land distribution in the Russian zone was considerably cooled, as time went on, by the heavy grain levies imposed on the new owners. But even before the establishment of the South Korean Government and termination of the American Military Government, agrarian reform was at length taken in hand in the south, and has produced striking results. The number of tenant farmers had been reduced by 56 per cent; by the middle of last year nearly half a million former tenants had become owners of the land they cultivated. This great increase in peasant ownership has certainly strengthened the democratic régime in South Korea. As elsewhere, political and civil liberties have inadequate attraction for the masses of the people if unrelated to social progress and improvement of standards of living.

At present the two halves of Korea provide competing shop windows of rival ideologies. In spite of the censorship of news and opinion under the Communist political monopoly in the north, there is enough contact between the two zones for Koreans to be able to make fairly well-informed comparisons between conditions of life in the north and south. In the long run it is likely that Korean national sentiment will incline decisively one way or the other, for Koreans naturally want to see their country reunited, and do not accept the present partition as anything but a temporary expedient; the only question is whether unification should be brought about on a basis of Communist-controlled 'people's democracy' or of American-sponsored libertarian democracy. The ordinary Korean will judge between the two systems, not so much according to theoretical arguments—though Koreans have a keen appetite for political abstractions since their liberation from Japanese rule—but on the evidence of their results in practice as he can see them working out in the two halves of his country.

STRATEGIC CONSIDERATIONS

It would, however, be unrealistic to regard the Korean situation merely as a political debate with victory to be earned by merit in political achievement. In the background are always the factors of organized force which do not depend simply on public sentiment

or opinion. The North Korean army has a two-years' start over the South Korean, and the semi-military 'monolithic' character of the Communist Party organization gives it here, as in other parts of Asia, a great advantage for civil conflict over a multiplicity of loosely organized democratic parties which lack the tradition and experience of long-established parliamentary government. And beyond the political arena of Korea loom the two great Powers which have their stakes in the contest. In the world strategy of the 'cold war' South Korea is an outpost of western influence on the mainland of Asia. As more and more of China falls under Communist control the Korean bridgehead increases in political importance. It could not in war serve as an American offensive base, for the number of American troops stationed there is very small, and the territory could be rapidly overrun by the much stronger forces which Russia could at once bring to bear from the Siberian Maritime Province and Manchuria. But the American-protected independence of South Korea at any rate denies the Russians the initial use in war of a forward base with approaches to southern Japan. A delaying action there might be of great value in covering a concentration of American forces in the Far East. For this reason alone it seems unlikely that the Americans will abandon Korea, and strategic motives are reinforced by political considerations. There is not only a certain sense of obligation to a nation which has trusted in American protection, but also the anticipation that withdrawal from Korea would have an extremely disturbing effect in Japan and would further reduce American prestige in China. By continuing to protect South Korea the Americans manifest a determination not to be stampeded out of a position once taken up, and at the same time maintain in East Asia a 'shop window of democracy' more convincing than anything they can promote in ex-militarist Japan.

G. F. H.

THE LAND PROBLEM OF SOUTHERN ITALY

IN 1908 the earthquake of Messina shook the whole of Italy out of the prosperous complacency of the age of Giolitti. Enthusiastic young men from the north volunteered for relief work; in the course of their efforts they discovered not merely the wreckage of the earthquake but the dismal heritage of the Bourbon régime. The political prisoners championed by Gladstone had long since been freed, but the population lived on in cumulative misery. Years later, in the days of the resistance to the Nazis, when the partisans dreamt dreams of a cloudless future, they too remembered the *miseria* of Southern Italy, and in the period since 1945 it has become an accepted slogan that the welfare of all Italy depends upon some solution of the problem of the south.

More than any one else who is alive today Carlo Levi, a northener from Turin, has through his book, *Cristo si è fermato a Eboli*, made Italy, and perhaps the world, emotionally conscious of the problem. When, however, one attempts to define it more scientifically, the way seems lost in a labyrinth. History and geography have here caused individualism to run amok, and society in the Mezzogiorno is in fact what Gramsci called it—*una disgregazione sociale*. Conditions which existed long before the age of capitalistic industrialization still predominate, with disastrous effects. Often peasants can be found working with wasteful diligence for the benefit of absentee landowners, yet for more than half the year there may be no work for them to do. Bound to the land with all their being, they starve.

The legend of luxuriant lemon groves has a certain justification. For it is not wholly true that the land is infertile and the climate bad. Rather the land is exhausted and the Mediterranean softness of the climate is marred by the lack of irrigation. In Apulia, after years of discussion in Parliament and out, it was at last found possible in the first decade of this century to construct the Apulian aqueduct. But, like the few things that have ever got done in Southern Italy, the job was half done, and the aqueduct supplied water for human use but not for the land.

APULIA

In Apulia alone there are three obviously different types of problem, that of the flat country around Foggia which is called the Tavoliere, that of the province and the port of Bari, and that of the tobacco-growing country around Lecce. The major part of the Tavoliere consists of great stretches of extensively cultivated

wheatland with olive trees and here and there vines; some land lies waste and much of it is used for sheep and goats to graze in the winter. It makes a strangely desolate impression. The absence of human habitations for miles and miles of a country so desperately over-populated as Italy seems extraordinary. Much of this wastefully cultivated land is divided into large properties which belong to absentee owners; they apparently take no interest in the cultivation of their land beyond demanding quick cash returns, they never put money back into the land for they do not look so far ahead. The people who work on the land may be small tenant or crop-sharing farmers or landless shepherds or other agricultural labourers. Many of them are several of these things at once, and even so may quite often find themselves idle and hungry. This poverty and unemployment is mainly due to antiquated methods, to inadequate resources, and to the alarming agrarian over-population. But the people who work on the land do not live on it, they live miserably in over-crowded towns, such as Cerignola and Candela, or Foggia itself. In the Fascist period a certain number of first World War veterans were settled on the land to the west of Foggia. They own livestock and have managed to keep going, but somehow their homes seem gloomy and lonely. There is still no kind of village life, nor anything to compare with the smiling farms of Central Italy.

This absence of the village is perhaps a characteristic evil of the Mezzogiorno as a whole. One can explain it in a dozen different ways. It is a survival from the days of Saracen invaders; it is due to lack of wells outside the towns and the fear of malaria near river mouths and marshes; it is a sign of the Southern state of mind which never does something new. Professor Rossi-Doria, whose knowledge of this whole subject is unrivalled, has pointed out that fundamentally it is due to the survival of the mediaeval strip system. Many of the peasants own or work tiny strips of land which lie far apart on different sides of the town. The consequence is that they have to waste time and strength going long distances before they begin their work. For years, moreover, small properties have tended to become more complicated and confused. Nothing is ever done to rationalize this immensely wasteful state of affairs. Further, immediately around the towns a belt of intensely cultivated land has developed. The peasants, who struggle desperately to retain precious little plots or allotments in this area as well, tend to remain in the towns; there would be no possibility of beginning something similar further afield.

In 1933 the Fascists enacted a law known by the name of its promoter, Serpieri. The State was empowered to impose reclamation on quite good terms upon the holders of land, big and small.

Consequently a little tentative work was begun here and there; since the last war it has begun again. But this can never be enough to transform the situation. It is calculated that with the investment of 30 to 35 milliard lire over about five years the whole Tavoliere area could be irrigated and settled, and converted to intensive cultivation with an incomparably higher production of cereals, olives, and wine, and with the development of stock-breeding. Instead of the traditional driving of the flocks up into the mountains of the Abruzzi when the rain has ended in April, irrigation could abolish the need for this nomadic life. Most important of all, it should be possible to employ about four times as much labour on the land. The unemployed *braccianti*, or agricultural labourers, who make towns like Cerignola or Andria into sporadically revolutionary centres, might be settled on the land with something permanent to do.

The whole of Apulia produces grapes both for wine and for the table. From this point of view the province of Bari is its most productive region, though it has never recovered from the ravages of the phylloxera at the begining of the century. But Bari the town is more immediately concerned with the cares of the port of Bari. The port enjoyed an artificial prosperity during the last two years of the war owing to its importance to the Allied armies. But as the latter withdrew the merchants of Bari became painfully aware of the inadequacy of their harbour installations and of their indifferent relations with the opposite coast. In the days before the war there was a good deal of traffic with Yugoslavia, and, of course, with Albania, which supplied considerable quantities of meat. Nowadays, though trade with the Yugoslavs is not so dead as the Baresi like to suggest, there is no market in the Balkans, and a small one anywhere, for South Italian wares, which consist largely of luxury goods—figs, almonds, and perfumes, for example—which few countries can nowadays afford. (It is difficult for Italians to believe that wine is a luxury for northern countries). For the market that remains, the Southerners feel that the Customs Union with France puts Italian producers at a disadvantage. The truth is probably that the haphazard methods of the South, its lack of capital, contempt for organization, and distrust of co-operation, put South Italian merchants and peasants at a disadvantage in competition with the Milanese and Genoese or with the Italians of Emilia. A great deal of Apulian wine, for instance, is bottled in Reggio Emilia, and it is usual for Southern wines to be marketed further north. This has created a new Southern grievance since the big drop in the price of sugar which has taken place in the last six months. In Bari this spring every business man and every newspaper seemed full of North Italian frauds. Good Southern wine,

one learnt, was being corrupted with cheap syrups and sold profitably with the label of some well-known mark or brand.

If the traveller continues south-east from Bari down the coast beyond Brindisi he begins to penetrate into the Salento or the heel of Italy. Here suddenly one seems to have come to Africa, for all the houses have flat roofs. This is the province of Lecce, whose capital city bears the same name and has a remarkable and very beautiful character of its own. It is not desolate or squalid like the majority of Southern towns. Indeed it seems never to have been disturbed since its main buildings were constructed in the seventeenth century and decorated in peculiar and exquisite early rococo designs evoked by the softness of the local stone. Here are well-kept city houses, for not every one with taste has disappeared to Naples, and here there are no obvious signs of poverty. Around the city a mixed cultivation is intense. The strength, but also the weakness, of the province of Lecce is tobacco, which requires very little moisture and was first cultivated here on a big scale in about 1915. Though tobacco is a State monopoly in Italy and the Government relies upon it as its surest source of revenue, it also brings good profits to those to whom the State concedes the right to grow it. But from the point of view of labour tobacco-growing is a very mixed blessing, since, like many other products of Southern Italy, it provides only part-time employment. It is usually planted early in April, harvested in June and July and perhaps also in August, and finally provides about four months' factory work (for women only) during the winter. Thus a new tobacco factory will draw unemployed people from other districts but cannot provide even the women with enough work to support them, moreover the work in tobacco factories tends to bring on tuberculosis.

THE BASILICATA AND CALABRIA

So much for the troubles of Apulia, a region predominantly flat. Above and behind it, sloping down to the two coasts, the Ionian and the Tyrrhenian, lie the little-known mountains and desolate plateaux of the Basilicata, or Lucania. Here, as in Sicily, is the classical country of neglected *latifondi*, of waste and misery. It was to Lucania that Carlo Levi was banished. But the problems of the mountainous South are best considered in Calabria, the toe of Italy. Here, as in Apulia, the variety of problems is great, but two aspects are outstanding: the major complex of questions created by the cutting down of the mountain forests, and the minor question of the cultivation of the rich coastal strip.

Since the Bourbons were driven out and government was taken over by the House of Savoy, the trees growing on the Calabrian

mountain slopes have been cut down and not replaced. The kingdom of Italy was short of timber, and anyway railways had to be constructed in the South. This policy has not only reduced the rainfall in Calabria; it has also destroyed the sole discipline imposed by nature upon the torrential streams, deriving from the snow, which rush down the mountainsides in winter, especially towards the Ionian Sea. Thus in summer there is no water, but in winter the torrents sweep away the land and silt up the orange-groves and vineyards with shingle—a curious spectacle. Each winter whole farms of some of the peasants are swept away; yet far from getting any compensation for this catastrophe, they are told that they must continue to pay the taxes on the land they have lost. The ironical waste of the situation is clear to any one who knows how great is Italy's need for electric power as well as for water for irrigation. If enough capital were spent in damming up the streams and in reafforestation it would be possible to generate the electric power which is desperately required and to maintain an adequate water supply throughout the year. Employment could thus be greatly and permanently increased, and the anxiety of those, both rich and poor, who fear for their land could be assuaged. And at the same time as the rivers were organized and contained, the last malarial districts could be cleansed.

The Calabrian coastal strip is very rich, especially on the Tyrrhenian side. Near Reggio Calabria it is possible to grow a million and a half oranges per hectare. In consequence, the land here is fantastically subdivided and overcrowded. There is almost as much crop-sharing (or *compartecipazione*, as it is called in the South) in Southern Italy as in the famous *mezzadria* districts of Tuscany or Emilia. But here, instead of receiving at least half, the man who works the land often gets much less than half; the peasants who grow oranges are lucky if they get a fifth of the produce, and their share may even be as little as an eighth. Melito, near Reggio, is the centre of the cultivation of the *bergamotto*, a fruit closely related to the orange and lemon but whose oily juice has the quality of fixing perfumes and flavours. There is a centre for working it up in Reggio itself, but this enterprise, like the tobacco factories elsewhere, only provides work for a few months in the year and is consequently apt to awake discontent rather than provide satisfaction.

If one travels in the Mezzogiorno it is often pointed out that there is some local capital which could be used for intelligent investment. But it seems again that the people who possess it are only interested in quick returns. One finds a large new cinema in a Lucanian town like Matera where the bulk of the population lives in caves without windows. But near Cosenza in Calabria a

Milanese philanthropist has bought some 700 hectares of land and put all his capital into its improvement. Here is the unusual sight of a wide expanse of intensive cultivation and a stream with properly constructed banks. The planting of tobacco has brought peasants from the other side of the mountains to seize this opportunity, for they had no work at home. But then, again, this partial solution of their problem breaks down. There is not enough work for them to live on, though this employer keeps meticulously to trade union rates of pay. Further, there is nowhere for them to live. They are housed worse than the cattle on the farm, in windowless hovels.

POSSIBILITIES OF IMPROVEMENT

Industrialization is one obvious answer to the problem of Southern Italy. Here and there, in addition to the tobacco factories, one finds a few textile factories in Apulia, a few oil refineries and tanneries and timber-mills, or the Montecatini chemical factory at Crotone in Calabria. But the entrepreneurs seem half hearted, for profits are doubtful, and there are many signs of ventures which have soon been abandoned. And for bettering the conditions of labour industrial beginnings are of dubious value. The pressure of over-population and poverty are so great that it is easy for employers to ignore legislation and to underpay and overwork their employees. Some of the timber-workers are organized, but they cannot prevent the scandal of the women one sees in Calabria carrying wood on their heads down from the mountains For this they earn the equivalent of two shillings a day, for which they can buy about five pounds of inferior bread.

On a journey through the Mezzogiorno this spring the writer often tried to raise the question of land reform, much discussed elsewhere in Italy at the time. The answer several times given was, 'Oh, that, for us, would be mainly a matter of the revision of the crop-sharing contracts. Some of the landowners even want to revise them in their own favour—they think the labourers who get a fifth could be given less.' At Easter the Prime Minister put forward a provisional project for the redistribution of about 1,300,000 hectares to be taken from the more productive big estates. This would mean that the great expanses of semi-waste extensively cultivated estates which are typically Southern would scarcely be touched. The land made available for distribution could do little to solve the problem of the landless labourers crowded in the Southern towns.

It is true that the Italian Government proposes to combine the execution of their plan with land reclamation and the setting up of the peasantry through agricultural credits and instruction in new

methods. This is the crux of the matter. If nothing is done, or if attempts are made on a limited scale, production may suffer, while social degeneration will continue and political desperation will grow. If, on the other hand, the situation were tackled on a grand scale in conjunction with a generous measure of industrialization it might really be transformed. A great deal of labour—even unskilled labour—could be employed in the process, and in Apulia there is room for a cautious mechanization which need not reduce work. Above all, consumption in the South itself could be tremendously increased. At present a high proportion of Italy's population is under-nourished in fats and oils, although the country is importing certain quantities of them. But if intensive cultivation were introduced to the fullest possible extent—and olive-trees can grow among vines, nuts, figs, and all kinds of other plants—both these circumstances could be changed. The danger of over-production need not necessarily become grave. If the Mezzogiorno were prosperous its population might provide the readiest consumers of many of its own products, the wines and fruits which are not luxuries in local eyes.

Clearly the Italian State, which has been insolvent for years, is in no condition to finance the undertakings of which Southern Italy is in need. Marshall Aid, as it has been hitherto envisaged, is nowhere near the necessary scale. To counteract the soil-erosion of Calabria, for instance, and to develop all its resources, Italian experts estimate that an expenditure of two hundred milliard lire over a period of some years would be needed. The sum earmarked for Calabria out of the first year E.R.P. allowance is just under three milliard lire. This would suggest a total of at most twelve milliard during the four years Marshall period. Supposing that the Italian estimate were greatly exaggerated, it is still impossible to imagine how the gap between it and the American contribution could in any way be closed.

E. W.

POST-WAR INTERNATIONAL BROADCASTING

THE most striking thing about post-war international broadcasting is its extent. What is surprising is not the way the ether is being used, or the policies which the broadcast word is being made to serve, but the extent to which international radio has developed in recent years. It would of course be a mistake to imagine that international broadcasting—that is to say, the transmission of programmes in foreign languages for reception beyond the frontiers of the transmitting country—is only a post-war development, or that it was called into being by the war itself. The exact date when international shortwave broadcasting began is uncertain, but there is no doubt that it was in the early 1920s. Russia was the first country to appreciate the possibilities of radio as an instrument of foreign policy. She was followed first by Fascist Italy and then by National Socialist Germany. France, England, and Holland entered the field comparatively late, and their first use of shortwave radio was aimed at French, English, or Dutch-speaking populations overseas. It was not until 1938 that Great Britain developed foreign language radio, beginning with a service in Arabic and developing thereafter services in Spanish and Portuguese directed to Latin America. The present European Service began in September 1938, with programmes in French, German, and Italian.

At the outbreak of the war Great Britain's foreign broadcasts were only part of a widespread and rapidly expanding international activity. Among countries which, in August 1939, broadcast expressly for foreign audiences were Albania, Bulgaria, China, France, Germany, Great Britain, Hungary, Italy, Japan, Rumania, Spain, Slovakia, the United States, Russia, and the Vatican City.

The effect of the second World War on international radio was somewhat similar to the effect of the first World War on aviation There was an immediate quickening of development, but no striking departure from the lines already laid down before the war began. Developments stimulated by war normally tend to diminish when the war ends. In the case of foreign language broadcasting the stimulus has remained and the total output continues to increase.

At the present time over fifty nations are broadcasting on short waves. To list the full extent of their programmes would turn a survey into a mere catalogue. But some impression may be obtained by examining what is sent out for Europe alone. It must be remembered that, over and above the figures in the following

list, many of the transmitting States also broadcast to their own people overseas, or to their minorities living within the frontiers of neighbouring States:

Albania	broadcasts in	8 foreign languages
Bulgaria	" "	9 " "
Czechoslovakia	" "	13 " "
France	" "	13 " "
Great Britain	" "	42 " "
Greece	" "	7 " "
Italy	" "	14 " "
Poland	" "	10 " "
Rumania	" "	8 " "
Spain	" "	6 " "
Turkey	" "	8 " "
Yugoslavia	" "	13 " "
U.S S R.	" "	20 " "
U S.A.	" "	14 " "
Canada	" "	10 " "

Listeners in many parts of Europe thus have at their disposal a remarkable number of programmes, in their own languages, from which to choose. In fact a large proportion of the transmissions intended for them remain unheard, either because the radio sets are not good enough to pick them up, or because listeners have no desire to hear them, or often, more simply, because the prospective audience does not even know that the programme is on the air. Let us take the specific case of the Soviet Zone of Germany—an area richly served by broadcasting. The size of the prospective audience must remain a matter for conjecture. But it is known that there are over two and a quarter million licence holders in the Soviet Zone. In a country where listening is artificially stimulated by the pressure of political events, two and a quarter million licence-holders probably represent not less than ten million listeners. They have no shortage of programmes from which to choose.

First there are three main domestic programmes—the Berliner Rundfunk on medium waves, the Deutschlandsender on long waves, and the Mitteldeutscher Rundfunk on medium and short waves. At Schwerin and Potsdam there are medium wave regional transmitters, likewise Russian controlled, which send out separate programmes of their own.

Beyond the Zonal border Nordwestdeutsche Rundfunk, the British Zone radio, has a relay station and a studio in Berlin as well as its transmitters further west. The Americans have stations at Frankfurt, Stuttgart, and Munich as well as R.I.A.S. (Radio in the American Sector.) The B.B.C.'s European Service is relayed by the station at Norden.

That already adds up to a wide selection. But outside Germany there are more than a dozen countries—Australia, Canada, Czechoslovakia, France, Great Britain, Italy, Rumania, Spain, Turkey, the United States, the U.S.S.R., the Vatican, and Yugoslavia—which broadcast on short waves a total of more than twelve hours' programmes a day, four and three-quarter hours of them from Great Britain, and most of them consisting of news bulletins, political comment, press reviews, and political talks. Some of these programmes are also broadcast on long and medium waves, and some enjoy medium wave relay facilities from German transmitters, but within the Soviet Zone most of them can best be received on short wave. Since few countries which engage in external broadcasting are anxious to send out programmes except at times when they expect a large audience to be available, the great bulk of the programmes are broadcast in the evening rather than during the working day. Inevitably, therefore, many of them overlap and are transmitted at identical times, mostly between six and eight in the evening.

On the five main short wave-bands used for broadcasting in Europe, i.e., 19, 25, 31, 45, and 49 metres, there will often be four or five different language broadcasts being beamed to Central Europe at the same time as any of the German broadcasts just described. Now in theory the 31-metre band contains enough wavelengths to allow twenty different transmitters to operate simultaneously with adequate separation from their neighbours. But today at peak listening hours some sixty different transmitters are trying to serve Central Europe in this band. Therefore the possibility of interference between them is very high, and only those programmes which are strong enough to be heard above the others are likely to command a regular audience.

Germany, as might be expected, is at present a country which takes an abnormal interest in foreign programmes. In the British Zone there is a Verband der Radiohörer which claims 8,000 members. It is therefore probable that there are a number of radio fans who do from time to time attempt to receive all the programmes directed at them. But even such enthusiasts, if they wished to cover more than a fraction of the German programmes theoretically available, would require radio sets—or a selection of radio sets—of a type and price far beyond the means of the ordinary German.

A similar close study applied to other areas of Europe would produce equally strange results. The inhabitants of most European countries have available, in theory, a wide selection of programmes in their own languages directed at them from beyond their frontiers. But the great bulk of these programmes must

remain unheard except by a small and frequently insignificant group of enthusiastic listeners. Nevertheless the fact remains that the amount of foreign-language broadcasting continues to grow. This is a phenomenon which is likely to interest future historians. The running and staffing of such broadcasts require considerable sums of money. Yet even small States have, within the last decade, considered it necessary to devote a proportion of their annual Budgets to this purpose. Why they do so is in many cases difficult to determine. A listener on Mars might well feel that what has happened is not unlike the barking of dogs in a village at night. Once one dog begins, and is answered by two others, all the dogs in the neighbourhood, great and small, will suddenly feel impelled to give tongue. From this most primitive of motives—a desire not to be outdone—the reasons which cause small States to spend money on international radio range upwards to the lofty idealism of 'Chaine de Bonheur' sent out by Lausanne. Among the larger Powers the motives are more obvious, and radio has become simply a part of 'diplomacy carried on by other means'. But a glance at the list of European contestants set out above will show that many of the smaller Powers insist on a role well beyond the scale of their normal importance.

Perhaps the most interesting question is why radio, in particular, should have stimulated this desire on the part of small countries to be heard beyond their own frontiers. It may well be that the growth of the desire is independent of the opportunity which radio now offers. The development of rotary printing might have offered a similar opportunity, yet it met with no equivalent response.

Among all who compete in the international radio market, the basic commodity is news. Sometimes the news is objective, or at least attempts to be. Sometimes it consists largely of opinion dressed up as news. But the reporting of current events (or fiction disguised as such) remains the basis of all foreign language programmes. To the news is added a variety of features which vary widely according to the country of origin.

The programmes broadcast from Great Britain aim at providing comment on current events in addition to the news. The opinions expressed are never those of the B.B.C., since by statute the Corporation has no editorial opinion of its own. The aim is to reflect current opinion in this country. This may be done by inviting to the microphone speakers able to represent various points of view, or it may be done by open discussion in the studio. Most effectively, perhaps, it is done by the broadcasting of press reviews which quote the opinions of newspapers chosen over a wide range from left to right. To news and comment is added a

third commodity, which in this country is usually referred to as 'the projection of Britain'. An attempt is made to provide for the foreign listener, indirectly as well as directly, an impression of how the citizens of the United Kingdom live, work, and play—of their arts and entertainments as well as of their politics.

A similar projection is carried in the programmes of many other countries. The European Service of 'The Voice of America' includes half an hour daily of dramatic and documentary programmes, which may be straight radio drama chosen to give an impression of American life, or outside broadcasts covering such events, to take a recent example, as the annual 'Mardi Gras' festival in New Orleans.

In the European programmes broadcast from Canada by C.B.C, there is the standard basis of news and commentary plus a wide range of items which aim at national projection. Quotations from a recent programme bulletin will give a more precise impression.

> *Sports Report.* C.B.C. sports reporters give eye-witness descriptions of the Allen Cup and Stanley Cup hockey games played in Montreal and other outstanding Canadian sports events.
>
> *Canadiana* (Tuesdays). 5 April, 'The Colonel from Kenya', a story by Will Dawson of Vancouver, 12 April, Captain Tim O'Brien ffrench describes his experiences in building a home at Banff, Alberta; 19 April, Kay Mignon interviews Dorothy Loder of England who bicycled through Canada; 26 April, Pamela Lee of England describes her 'Cross Country Trek'.
>
> *Women in the New World* (Thursdays). This programme continues with the series of broadcasts on women's clubs in Canada, specially designed for listening by women's groups in Britain; 7 April, 'Women's Institutes' by Joan D'Arcy, 'Home and School Clubs' by Jean Morrison; 21 April, 'Imperial Order of the Daughters of the Empire' by Patricia Young.
>
> *Barlows of Beaver Street* (Mondays). A weekly dramatic serial, written by Elsie Park Gowan, describes the every-day life of an average Canadian family.

These items have been picked at random and represent only a small amount of C.B.C.'s weekly output to Europe in many languages besides English, but they give a fair sample of the kind of programme which is being sent out.

Of Great Britain's broadcasts to Europe the most extensive are those in French and German, which are on the air for some four and a half hours every day. It may be of interest to run through a recent week's output (8 to 14 May) in the French Service of the B.B.C. and pick out the more noteworthy programmes, apart from the standard daily basis of news, and comment on the news. The B.B.C.'s French Programme is on the air at various times

during the day, but the most important part of its service is from 7.30 p.m. to 10 p.m.

On Sunday evening from 8 to 8.30 is a programme 'Six autour d'un micro' which has long been a favourite among French listeners. 'Six autour d'un micro' is in fact a brains trust, and is produced in much the same way as its prototype, the Brains Trust of the Home Service.

Five guests—some of them Frenchmen, some of them French-speaking Englishmen—are invited to the studios, given dinner to set them at their ease and stimulate the flow of conversation, and are then put round a microphone. The questions which they discuss come in by post from listeners in France. It is probably true that 'Six autour d'un micro' produces a more spontaneous and natural flow of conversation than its English forerunner. Conversation has long been an art more flourishing in France than in England, and on the whole French speakers submit more readily to this kind of ordeal by wireless. Most listeners to the English Brains Trust have felt, at one time or another, that the function of the chairman has been to prod his team into hesitant and somewhat unwilling speech. In 'Six autour d'un micro' the chief function of the chairman is to keep the rest of the table quiet while one of the members is speaking.

From 9.30 p.m. to 10 p.m., also on Sunday, is 'La Vie à Londres', a programme with a self-explanatory title, though in fact it is more properly called 'La Vie à Londres et en Angleterre', because it has now expanded its horizon beyond the capital. It is a feature programme, and deals with such varied subjects as fox hunting, a visit to Hampton Court, and life in Soho. During the week under review its subject was 'Le Music-Hall Anglais'.

Monday evening's notable programmes were:

20·00–20·20	L'Angleterre d'aujourd'hui. 'Les Polonais en Grande-Bretagne.'
20·30–21·00	Chronique des Sciences: 'Comment on explore l'intérieur du globe terrestre'. Nouvelles scientifiques. 'L'histoire naturelle de Selbourne', de White.
21·00–21·15	L'Anglais par la Radio: Exercice sur les prépositions.
21·30–22·00	'Le saviez-vous?' (Jeu radiophonique qui oppose le Lycée Henri IV à la Royal High School, Edimbourg).

This is part of a fairly representative evening's programme. The news and comment has been omitted. The highlight of Wednesday evening's programme was an hour's concert given by the B.B.C. Symphony Orchestra and including a William Walton concerto. A standard feature of Thursday evening's programme is the 'Chronique des Lettres et des Arts'. On the Thursday of the week under survey it included a review of 'Le Cheval de Bois' as

well as a commentary on current London art exhibitions. The same evening included Episode 3 of a radio serial, 'Le Monde perdu', by Sir Arthur Conan Doyle.

The B.B.C.'s programme in German is not widely different in its scope from that in French. Here again there is a basis of news and comment on the news. Those parts of the service which aim at the projection of Britain contain perhaps a slightly greater emphasis on serious music. A similar thread runs through the B.B.C.'s services in other European languages, though as the length of the programme diminishes less time is available for material other than news, comment, and reviews of the British press.

In the French programme quoted at 21.00, 'L'Anglais par la Radio' will have been noticed. This is one of a number of programmes in many languages, in which use is made of the obvious advantage that radio possesses in enabling students to learn a language from the fountain head—its country of origin.

It has already been said that news is the kernel of all foreign-language broadcasts. The way in which news, and commentary on the news, are presented is what primarily distinguishes one broadcasting service from another This applies particularly to the kind of service that emanates from Great Britain, as compared with broadcasts from the U.S.S.R. It is moreover in the reporting of current events, and in comments on those events, that a foreign-language service performs its most important task. That task implies not only that the truth shall be broadcast, but that it shall be believed. And it is unwise to assume that truth will prevail merely by virtue of being truth.

In international broadcasting, it is essential to retain the initiative. The side that defends itself against an attack, just or unjust, merely draws attention to the charge against which it would defend itself. A statement will tend to be believed, or partly believed, even though it may be denied from another source. It will only be disbelieved if it can be replaced by another statement, from a rival source, which makes the first appear ridiculous or impossible. Or it will be disbelieved if, as happened to Dr Goebbels' radio towards the end of the war, its own source has been proved wrong so often that it has lost authority even among credulous listeners. But a statement will not be discredited merely because it is denied. It follows then that a radio station cannot establish a reputation for accuracy simply by denying or pointing out the inaccuracies of others. It can only establish a reputation for accuracy by a long and steady stream of statements which are themselves sufficiently true (or sufficiently credible), and above all sufficiently interesting, to leave a permanent impression in the minds of listeners.

It is seldom possible to see all round the jewel of truth at one time. Even on the occasions when that can be done, it is hard to describe all its facets coherently in words which convey the impressions of truth to a listener. The best that can be attempted is to describe in plain and simple terms those facets which are at the moment visible. In an English court of law a witness swears to speak the truth, the whole truth, and nothing but the truth. This ambitious oath is acceptable because it discourages deliberate omission or deliberate embroidery. And it is acceptable because a man in the witness box is usually speaking within simple and narrow terms. He is describing what he saw with his own eyes. Compare the position of a man at a microphone. He is dealing with events of the utmost complication which may have occurred anywhere around the girdle of the earth. For him, to be speaking of what he has seen with his own eyes is the exception rather than the rule. If a radio station sets itself up as telling the truth, the whole truth, and nothing but the truth, it is beginning with an improbability so great as to cast doubt on the accuracy of anything it may afterwards say.

What then can a radio station honestly attempt? Herein lies the real distinction between what has so far been the British system, and that system once pursued by Dr Goebbels and still followed from within the borders of the Russian bloc. The honest station can try to avoid deliberate omission and deliberate embroidery, when it is dealing with questions of fact. Yet when both sides give different accounts of a single incident—for example, the shelling of the *Amethyst*—it does not necessarily follow (though it may seem likely) that one side is deliberately telling lies. Each may be seeing different aspects of the same truth.

It is when the station is dealing with questions not of fact but of opinion, when it is dealing not with events but with beliefs, that the distinction between the two systems becomes most sharp. The Goebbels (or Russian) system allows only one opinion on the air. The more honest, and more effective, system allows many conflicting voices to be heard.

At the same time distinction should be drawn between allowing freedom of opinion on the air, which is wise, and the extreme of maintaining so nice a balance between all opinions that in the end the listener does not know where, on major issues, the station stands. It has been said that the B.B.C., whether broadcasting for internal or external audiences, has no editorial opinion. That is true; but it is an incomplete statement of the truth. For the B.B.C. reflects the opinion of the country which it represents. In many ways therefore the B.B.C. must, at least to the foreigner, appear to hold clearly defined editorial opinions. During the war, for example

the B.B.C. certainly held the opinion that the Allies would win. It also clearly believed that the Nazi system was evil and should be destroyed. At the present time it must be equally plain, to all listeners to Britain's Overseas Services, that the B.B.C. prefers Christianity to Communism, that it prefers democracy to oligarchy, and that it prefers freedom of speech to endless repetition of the party line. In the increasing and competitive development of foreign-language broadcasting since the last war it is vital that the Overseas Services of the B.B.C. should hold their own. This kind of broadcasting is of growing importance and demands a realistic and specialized technique, adapted to a situation in which systems of propaganda and political warfare are distorting the world news available to a number of audiences. In this context it is as important to show that British opinion is concerned with events abroad as to project the British way of life.

G. G. W.

THE INTER-ALLIED REPARATIONS AGENCY

QUESTIONS OF ALLOCATION AND DISMANTLING

AFTER both the first and second World Wars the victorious Powers agreed to exact reparation from Germany. At the Yalta Conference early in 1945 the Allied authorities, remembering the failure of the 1918 reparation policy, which had been based on a fixed monetary payment, decided that no actual sum should be specified. Whenever possible, payment should be made in kind. At the Potsdam Conference in July 1945 the principles guiding Allied policy on reparations were more clearly formulated. President Truman then stated that:

> the first object of reparation is to remove from Germany everything which might enable her to prepare a new war. The second object of reparation is to assist the reconstruction of the devastated countries by allocating to them industrial equipment and machinery removed from Germany.

The Potsdam Agreement incorporated these principles. It specified that reparation should consist wholly of assets already owned by Germany whether at home or abroad. These comprised industrial capital equipment, merchant shipping and inland water transport, captured enemy supplies, and German external assets. The agreement further stated that payment of reparations should leave enough resources available to enable the German people to subsist without external aid. Whatever current production remained after domestic needs had been satisfied should be used first for those exports required to finance essential imports. Reparations claims of the U.S.S.R. and Poland were to be met by removals from the Soviet Zone of Occupation, together with 25 per cent of any capital equipment removed from the Western Zones. The U.S.S.R. agreed in turn to make reciprocal deliveries of food, raw materials, and other commodities, amounting to 15 per cent of her 25 per cent share of Western Zone reparations. These reciprocal deliveries were to be distributed amongst nations claiming reparations from the West of Germany. It remained only to decide how reparations were to be divided between the various claimants, and at what level the German economy should be maintained to allow for both reparation payments and German subsistence at reasonable minimum standards.

The Yalta and Potsdam Conferences resulted in the setting up of an Allied Reparation Commission composed of representatives of the four occupying Powers. This Commission was to sit in Moscow, and was completely independent of the more comprehensive Allied Control Council. Unfortunately attempts to agree on methods of procedure proved abortive, and the Commission adjourned in September 1945. The Allied Control Council, and later the Occupation authorities, were then left with the sole responsibility of determining what part of total German assets would be available for reparations.

The Paris Agreement of 14 January 1946 finally determined how reparations from the Western Zones of Germany should be divided. In order to make the working out of individual shares more elastic, two categories of reparations were established. Category A included all types of German assets confiscated for reparation purposes other than those included in Category B. This consisted of industrial and capital equipment, merchant shipping, and inland water transport. Each participating Government also undertook, under the terms of the Paris Agreement, to liquidate all German assets within its jurisdiction against its Category A reparations account. German assets in neutral countries, after liquidation by agreement with the Governments concerned, were to be distributed between signatory countries.

The Agreement has now been signed by nineteen nations whos reparation shares are divided as follows:

Country	*Category A*	*Category B*
Albania	·05	·35
Australia	70	95
Belgium	2·70	4·50
Canada	3 50	1 50
Czechoslovakia	3 00	4 30
Denmark	·25	35
Egypt	·05	20
France	16 00	22·80
Great Britain	28 00	27 80
Greece	2·70	4 35
India (including Pakistan)	2 00	2 90
Luxembourg	15	40
Netherlands	3 90	5·60
New Zealand	40	60
Norway	1 30	1 90
Union of South Africa	70	10
U S A	28 00	11 80
Yugoslavia	6 60	9 60
TOTAL	100 00	100 00

NATURE AND FUNCTIONS OF THE AGENCY

The Inter-Allied Reparation Agency is the instrument estab lished by the Paris Agreement to be responsible for the distribu tion of Western Zone reparations between the various claimants The Agency consists of an Assembly of delegates from th nineteen member countries. In this Assembly reparations ques tions and grievances are discussed, resolutions made, and agree ments reached To promote continuity and speed in the Agency' work, the Assembly has been divided into various committee dealing with external assets, merchant shipping, inland wate transport, current production, industrial property rights, finance accounts, and credentials. Every delegate is a member of one o more of these committees. An international Secretariat, responsibl to the Assembly, has also been established to deal with th administrative and technical problems involved in the Agency' work. One of the main functions of the Secretariat is to act a liaison between the Agency and those authorities (formerly th Allied Control Council until the lapsing of quadripartite control and then the Military Commanders of the three Western Zones which decide on the amount of German assets to be made avail able as reparations. In other words, the Occupation authoritie

make available to the Secretariat of the Inter-Allied Reparation Agency a list of German assets free for reparations; the Secretariat makes a preliminary allocation of these assets between the member countries, which is then submitted to the Assembly for approval or modification. After agreement has been reached, the Secretariat informs the Occupation authorities of the final allocation and makes arrangements for its distribution to the various recipient Governments.

In addition to its allocation functions, the Agency is responsible for reparations accounting, that is to say, it has the difficult task of charging to the reparation share of every member Government the value of all German assets received as reparation. It must also ensure that the proportion between the Category A and Category B shares of any member does not become too unbalanced. The lack of any definite announcement by the Occupation authorities regarding the total amount of German assets to be made available as reparations has made such proportional calculations very difficult.

THE DISTRIBUTION OF GERMAN ASSETS

Although the Allied Control Council decided by March 1946 on the level of German industry compatible with the maintenance of average living standards, and on a plan for reparation based on the treatment of Germany as a single economic unit, the work of the IARA has been continuously hampered by indecisions about reparations policy. The need for speed in allocating reparations had been emphasized both by the Potsdam and Paris Agreements, but it became increasingly difficult to keep to the original intention of completing the reparation programme by January 1948. Disagreements between the four occupying Powers on the nature and interpretation of the reparations plan led to delays in the allocation of capital equipment. By July 1947 only 250 of the 1,600 plants originally estimated to be available for allocation had been released to the Agency. In addition the level of German industry was revised upwards in June 1947, the new level allowing for a productive capacity equal to that of 1936. This made a downgrading of reparation availabilities inevitable. In October 1947 the Military Commanders of the three Western Zones informed the Agency that a total of only 858 plants would be made available to it as reparations payments. By the end of 1947 the IARA had allocated amongst its members only 197 plants in all, valued at approximately 246 million Reichsmarks (1938).

Delays over the allocation of capital equipment further tended to overshadow the good work done by the Agency on other reparation questions during 1946 and 1947. By the middle of 1947

seaworthy German merchant shipping to the value of £12,217,305, total tonnage 695,149 G.R.T., had been allocated amongst member countries. Eighteen vessels, totalling 53,435 G.R.T., had also been allocated as scrap. In October 1947 the U.S.S.R. notified the Agency of the commodities which would be included in the first consignment of reciprocal deliveries. These commodities, which included wheat, pit props, unsawn timber, benzine, and diesel oil, were allocated to IARA countries by the end of the year. Aid was also given to member Governments in settling conflicting claims over German external assets and in auditing the annual valuations of such assets submitted for reparation accounting purposes During May and June 1946 accords were signed with Switzerland and Sweden by the Governments of the United Kingdom, France, and the U.S.A., on behalf of the IARA countries, which provided for the liquidation of German external assets held by these two countries. But interpretations on these accords differed, and although discussions were continued throughout 1947 no agreement was reached either with Switzerland or with Sweden.

Although the main emphasis during 1948 has been on policy concerning reparations from German industrial and capital equipment, the report of the Secretary General of the IARA indicates that progress has been made in other directions. Final allocations of seaworthy vessels and vessels for scrap were made to member Governments during the year. By July 1948 the first allocation of reciprocal deliveries from the U S.S.R. had arrived, and Russian proposals for a second allocation, which included wheat, rye, diesel oil, brown coal briquettes, timber, pit props, sanitary ware, and hard paraffin, had been approved by the IARA Assembly. Unfortunately disagreements between the Western and Soviet Zone Commanders over transportation routes led to postponement of deliveries. By December 1948 none of the second allocation had been delivered and nothing had been heard of further allocation proposals, which were already somewhat overdue, taking into account the amounts of capital equipment delivered to the U.S.S.R.

Progress was also made in accounting German external assets under the jurisdiction of IARA countries and in reconciling conflicting claims of member Governments to them. By the end of 1948 all IARA countries had submitted valuations of those German assets in their possession. After vain attempts had been made in the Assembly to pass a general resolution for the settlement of conflicting claims, it was decided that individual agreements between member Governments should be substituted for any overall agreement. In accordance with this principle, an agreement was reached between France and the United Kingdom on

15 July 1948 for the settlement of any conflicting inter-custodial claims.

Meanwhile there was little advance in the liquidation of German external assets held in neutral countries. The most hopeful event was the conclusion on 10 May 1948 of an accord for this purpose with Spain. The estimated value of official and unofficial German assets in Spain is between 525 and 550 million pesetas. In accordance with the financial protocol attached to the accord, the proceeds from these assets will be allocated to IARA countries in the ratio of their Category A entitlements under the Paris Agreement, after certain deductions in favour of the Spanish Government. On 7 December 1948 the proceeds of liquidated German assets in the International Zone of Tangiers, amounting to 901,339 French francs and 731,190 Spanish pesetas, were made available to the Agency for allocation. But no agreement has yet been reached with Portugal, and the deadlock over the liquidation of German assets in Sweden and Switzerland continues.

THE PROBLEM OF DISMANTLING

The aspect of reparations policy which has aroused most public interest and controversy during 1948 and early 1949 concerns the removal of capital and industrial equipment from Germany. Cleavages of opinion between the Soviet and Western Occupation authorities have widened, and until recently little agreement has been reached on reparations policy even between the Western Occupying Powers. It has also proved difficult to strike a balance between the claims of Marshall Aid and reparations. Not unnaturally, German self-interest has prompted the use of every sign of Allied disunity to foment opinion against further dismantling; both political and economic considerations have been invoked to support the arguments for and against reparation dismantling policy.

When the idea of the European Recovery Programme was first launched both the U.S. State Department and the Inter-Allied Reparation Agency believed that the reparations programme could play a powerful part in aiding European recovery. The President of the Agency at once declared that 'The policy of reparation, taking into account the constructive character conferred on it by the Paris Agreement, accords with the spirit of the Marshall proposal, and necessarily comes within the scope of its provisions. The reparations policy cannot help but be an important element in any plan that aims at the reconstruction of Europe. . . .'[1]

On 4 February 1948 Mr Marshall, in a letter to Senator

[1] See IARA Secretary General's Report for 1948.

Vandenberg, the Chairman of the Senate Foreign Relations Committee, also emphasized the need for the reparations programme with a view to promoting that unity of purpose between European countries which was so indispensable to European recovery. He further stated that 'Analysis of Germany's economic situation shows beyond question that the revised level of industry, and the dismantling programme based on it, have no present effect on Germany's ability to produce and export. Nor has the revised level been found an obstacle to planning the maximum feasible contribution by Germany to the general European Recovery Programme.'

Nevertheless, powerful sections of American opinion felt so strongly that further dismantling would tend to neutralize the benefits of Marshall Aid that a sub-committee of the Herter (House Select) Committee of the American House of Representatives was set up to examine American policy in Germany Early in 1948 this committee recommended the suspension of dismantling policy in Western Germany. In September 1948 Mr Hoffmann, the ECA administrator, suggested to the U.S. State Department that the consent of the United Kingdom and France should be sought for a drastic curtailment of the dismantling programme.

Opinions on reparation policy have been centred round two ideas: European recovery and European security. One school of thought held the view that further reductions in German production assets would be a negation of the whole spirit of European co-operation, and that, more practically, it would increase German financial and economic dependence both on the Occupation authorities and on Marshall Aid. It was suggested that the value of the equipment received was not in proportion to the cost of dismantling it Moreover, assuming European recovery to be the ultimate aim, it was thought possible that German machinery would do more to further general recovery during the crucial years between 1948–52 by swelling the volume of production in Germany, than by lying idle during the considerable period estimated as necessary for dismantling, transportation, and reassembly in another country.

German opposition, which was conducted by industrial and political leaders, press attacks, and strikes and go-slow movements by the workers, was strengthened by support from sections of public opinion in the U.S.A. and, to a lesser extent perhaps, the United Kingdom. Opposition was directed mainly against Great Britain, for most of the plants scheduled for dismantling were in the British Zone. British dismantling policy was subjected to four main criticisms: that dismantling was being hastened in an attempt to forestall ECA demands for a suspension of the present repara-

tions policy; that large amounts of valuable equipment were lying rusty and depreciating, awaiting distribution by the IARA; that the dismantling programme was directed not against German war potential but against peace-time industries, with the aim of eliminating future German competition; and that the reparations programme, far from removing the menace of future German aggression, was preventing Germany from becoming a bulwark against Communism.

REPARATIONS AND MARSHALL AID

The IARA has endeavoured to refute at least some of these criticisms. It has laid stress rather on the part that reparations machinery could play in European reconstruction than on the dangers presented by a renascence of German aggression. It pointed out that ten of its member nations[1] were not recipients of Marshall Aid. There was no valid reason why they should be deprived, on the grounds of ERP requirements, of reparations which they had been entitled to expect. Nations in receipt of E R P. aid had sometimes included in their recovery programmes the amounts to which they were entitled under reparations. The argument that Germany would require more Marshall Aid if the reparations programme were implemented would thus be weakened if other European countries had to apply for more aid as a result of non-delivery of reparations. For many countries German reparations were the only source from which war-time losses of machinery and equipment could be quickly made good. Alternative sources of supply would not be available for a few years, quite apart from the saving in scarce foreign currencies which reparations deliveries might mean, especially to European countries. Reparations had also a deep psychological significance to some European nations, leaving aside the aspect of material gain. Although the prolongation of the reparations programme was undesirable, a complete reversal of policy would do little to further that European co-operation which was one of the stated aims of the Marshall Plan.

The Agency has also pointed out repeatedly that the reparations programme is based on the revised level of industry plan, which was to leave Germany with enough industrial capacity to produce at 1936 levels. By December 1948 industrial production in the German Bizone had reached 78 per cent of this standard. Further progress has been hindered not by dismantling of plant, but by lack of raw materials and capital and the low productivity of the present labour force.

[1] Albania, Australia, New Zealand, Yugoslavia, India, Pakistan, Czechoslovakia, Egypt, Canada, and South Africa.

Opposition to further dismantling rose in volume during 1948. In October a Reparations Survey Committee was set up at the request of the ECA administrator to review the whole question of further dismantling in the West of Germany. It was composed of American industrialists, and later known as the Humphrey Committee. This committee recommended that 167 of the 381 plants due to be dismantled should be retained for use in Germany. Negotiations were then set on foot by the U.S. State Department to obtain the agreement of the British and French Governments to such a step. Full agreement was delayed on the one hand by British feelings of responsibility towards the claims of nations due to receive reparations, and on the other by the French preoccupation with the need for security. It was not until 14 April 1949 that the occupying Powers published their decisions on future dismantling policy.

RECENT DIFFICULTIES OF ALLOCATION

During 1948 the work of the IARA was considerably embarrassed by these hesitations and controversies. The Western Zone Commanders in November 1947 had promised that 858 plants would be made available for allocation. Their undertaking remained unfulfilled. By the end of June 1948 no further plants had been allocated to the Agency. It was therefore able to distribute amongst its members only those fifty-one plants remaining from the 1947 allocation, together with certain equipment from them which was valued at 32 million Reichsmarks.

In July 1948 a further allocation totalling 147 plants was made available, forty-three from the U.S. Zone and sixty-two from the British. An additional ten plants were added later in the year to the British Zone allocation. The total value of these 157 plants amounted to 143 million Reichsmarks. The total value of German capital equipment (354 plants) allocated by the Agency by the end of 1948 was thus 387 million Reichsmarks.

Only a small proportion of the plants allocated during 1948 were in relatively good condition. Of the 157 allocated, 118 were engineering concerns, seven belonged to the non-ferrous metal, twenty-three to the chemical, and two (which were incomplete units) to the iron and steel industries. In accordance with the Potsdam Declaration all industrial equipment of a military nature had been demolished. A number of these plants were therefore merely collections of unrelated machines and machine tools. In addition, the plants chosen for reparations appeared either to have suffered heavy war-time damage or to contain a sizable amount of depreciated or out-of-date equipment. Competition between IARA

member countries for any equipment that was in good condition was therefore particularly severe.

Bidding by member Governments for the less valuable types of equipment was more cautious, owing to lack of exact information on the total quantity of reparation material to be made available. Member Governments were unwilling to fill up their reparation percentage quotas with equipment of relatively little value, if more desirable equipment was to be made available in the future. In order therefore to prevent large numbers of machines from lying unallocated and to prevent a further prolongation of the dismantling process in Germany, the IARA altered its allocation procedure. The Agency now reports that 'the amount of industrial capital equipment which finally remains unallocated, and therefore is rejected by the Agency, is less than one quarter of 1 per cent of the total made available from Germany.'

A REVISED POLICY

The 1948 report of the Secretary General of the IARA emphasized the increasing difficulties under which the work of the Agency has been carried on. The relations between the great Powers have introduced political considerations and have resulted in a change in the attitude of the occupying Powers towards Germany. Reparations policy has therefore had to be altered and reclothed to suit the changing political climate. Today the revival of Germany is necessary to European recovery, and the recognition of this fact implies a reassessment of the part to be played by Germany in European affairs. An agreement on future dismantling concluded by the British, United States, and French Governments and published on 14 April 1949 has done much to readjust the claims of the recipient countries to the basic industrial requirements which Germany might expect within the framework of Western European co-operation. It was agreed that 159 of the 167 plants recommended by the Humphrey Committee should be retained in Germany, the eight plants remaining on the dismantling list representing 30 per cent of the value of the original 167 plants. Establishments still to be dismantled will include thirty-three steel plants, eighty-eight metal working plants, thirty-two chemical plants, and seven non-ferrous metal industry plants. Under the new agreement the total value of reparations from the British Zone, where most of the plants are situated, will be reduced by approximately 10 per cent.

Although it has been unacceptable to some sections of German opinion, especially those directly affected by the dismantling of concerns retained on the reparations list, the agreement has done

much to clear the air. Together with the new pronouncement on prohibited and restricted industries, it should help to promote German business confidence and enterprise. Its implementation should prevent a further unnecessary and injurious prolongation of the reparations question.

D. B.

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NOTES OF THE MONTH

Tito and the Cominform: a Renewed Offensive

OVER the last few weeks there has been a noticeable sharpening of the conflict between Yugoslavia and the U.S.S.R. together with her satellites. An exchange of Notes took place at the end of May, Yugoslavia protesting against the Soviet Government's 'hostile and discriminatory actions' in tolerating the 'activities' of Yugoslav emigrés in the U.S.S.R. This presumably refers primarily to the publication in Moscow of a Serbian paper, 'For a Socialist Yugoslavia', first issued in May. At about the same time another emigré paper, 'Under the Banner of Internationalism', was started in Rumania. On 11 June a Yugoslav official statement indicated that Czechoslovakia, which at the beginning of May had already banned all exports to Yugoslavia, had broken off trade relations with that country. At this time it was also announced that the Yugoslav Government had asked for the liquidation of the two existing joint Soviet-Yugoslav companies. The background to these moves on a high Government level was an increasing number of frontier incidents, accompanied by a spate of mutual accusations of espionage, provocations, and arrests, etc.

This deterioration of diplomatic relations had been foreshadowed by a mounting 'cold' offensive on the part of the Communist Parties, the auxiliary arm of Soviet Russia's foreign diplomacy, united under the banner of the Cominform. At the moment of writing a meeting of Cominform representatives is taking place in Poland to discuss the future strategic line to be adopted against Yugoslavia. It is rumoured that a severing of diplomatic relations is under consideration. The Cominform fortnightly paper *For a Lasting Peace, for a People's Democracy* (originally published in Belgrade, now in Bucharest) has never ceased to denounce Tito since his first open show of independence last summer. Interesting examples of the type of anti-Tito propaganda found in this paper are 'open letters' addressed by anti-Tito Yugoslavs abroad to their countrymen. One of the letters,

signed by a group of emigrés in the U.S.S.R., denies 'with disgust' the suggestion that they were 'forced to remain in the Soviet Union'. This, they write, 'is an abominable falsehood and slander. No one forced us to remain. There are no Rankovic janissaries in the Soviet Union'. It is, they say, on the contrary, the Tito-Yugoslavs who are made to write letters of praise.

Lately contributions from more authoritative persons have also appeared in the Cominform paper, and some have been reprinted in *Pravda*, the Soviet Communist Party organ. These are articles by members of Politbureaux and Secretaries of the Communist Parties of the satellite countries. It is highly instructive to compare the tone of the last two or three articles with that of articles some eight or nine months ago. The sharpness of denunciations doubtless foreshadows a greatly altered attitude towards Yugoslavia; the language is far less restrained than that of official diplomatic channels could ever be. Soon after the Cominform conflict Tito and 'his clique' were represented as petty bourgeois nationalists, as traitors, bandits, double dealers, enemies of the working class, renegades, and the like. For some months they remained 'a criminal clique' travelling along the road 'to the imperialist camp', when in a sudden crescendo of fury, early this spring, they became in the eyes of the Cominform spokesmen 'rabid enemies of the U.S.S.R. and the People's Democracies', nationalists 'unashamedly bargaining with the Western imperialists about the price and conditions for the sell-out of Yugoslavia's freedom and independence'. By May 'Judas Tito' had already 'gone over completely to the imperialist camp'. His policy was characterized as that of 'a provocateur in the service of warmongers', 'fully in line with that of the Trotskyite renegades at the time of their final degeneration'—the worst accusation yet invented by Moscow. Rakosi, Hungary's Party chief, says in the June issue that the 'Tito gang' has now become 'one of the most active storm detachments of the enemy camp opposing Socialist construction and the world peace front', whose 'hatred for the builders of Socialism is buttressed by . . . their utter baseness and lack of principle so characteristic of Trotskyites'. In his opinion, 'Yugoslavia today is a typical police State where the Trotskyite clique is holding power by applying Gestapo methods and using former Gestapo agents'.

A detached observer may feel, not without reason, that there may be substance in the accusations raised against Tito's nationalistic police State. But this 'profusion of invectives' (of which the Cominform in turn has accused Tito) has a terrifying sound to a Western reader, especially when coming from or inspired by quarters with far wider knowledge of 'Turkish terror methods'

than that of the Yugoslav Stalin *en miniature*. For Tito and his Government these latest accusations must have a dangerous ring in view of the fate of real and alleged 'Trotskyites' both inside and outside the Soviet Union over the course of the years. He and his associates have been warned that his 'terror régime will not last long', that 'the peoples of Yugoslavia will throw out from their midst this handful of traitors . . . who are trying to bring Yugoslavia once more under the yoke of imperialism'.

This intensification of the ideological assault, this 'tightening of the screw', and Tito's continued audacity, are a reflection of Yugoslavia's growing rapprochement with the West, which was perhaps not quite foreseen by Moscow. Indeed Tito's independent attitude, which culminated in the Cominform conflict, must have come as a great shock to Stalin, and the dangers of such a breakaway were fully realized. Yet no drastic measures were taken as long as there was a chance of the lost sheep being brought back to the fold. It was probably expected that Tito's Government would not be able to survive the ensuing economic difficulties. In the meantime, as can be seen from articles in the Cominform papers, unquestionably Soviet-inspired, a very close watch has been kept over all Yugoslavia's moves towards the West, particularly her trade and financial relations. Far from collapsing, Yugoslavia—whatever her present and future economic difficulties—has succeeded in concluding trade contracts with big American firms (total American-Yugoslav trade turnover in 1949 is expected to be twice as high as in 1948); she is likely to receive substantial loans from American banks, and is about to conclude a long-term agreement with Great Britain, all of which will help her to bridge the gap in capital equipment and machinery not now forthcoming from the U.S.S.R. In return Yugoslavia had to recognize Western compensation claims and—worst of all from the point of view of the Eastern economies—she is supplying large quantities of important raw materials (copper, zinc, etc.) to the West. Tito is thus proving that his country may be able to exist and develop without the help of the U.S.S.R. Moscow is also aware that Tito's political hold over his country, modelled in all its detail on the Soviet example, is—for the present at any rate—powerful enough; it is as strong or as weak as that of its model, and Tito himself probably still fairly popular. At the same time his display of independence and his Yugoslav—not Soviet—nationalism has proved gravely disturbing to the other satellites. True, not all of his imitators are well disposed towards him, and it can hardly be said that an organized opposition against Russia's domination is taking shape. Historically and strategically these would-be Titos (Gomulka in Poland, Patrascanu in Rumania, Kostov in Bulgaria, Rajk in

Hungary, Koce Xoxe in Albania) were placed less favourably than Tito himself; they could therefore be checked more easily by demotion, expulsion, arrest, or execution. However, Moscow is only too well aware of the contagious nature of Tito's example.

So far Tito has clung astutely enough to the ideological mantle made for him in Moscow, and in words he still maintains his allegiance to the 'cause' of the U.S.S.R. and the 'People's Democracies'. But Stalin does not want 'allies': he needs vassals. Particularly Yugoslavia, with its raw materials, its favourable geographical situation, its well trained and equipped army, is far too important a military-strategic foothold, to be tolerated as an 'ally', governed as it is by a headstrong ruler who expects consideration on equal terms. Hence the 'writing on the wall' for Tito. It remains to be seen who will prove stronger and more skilful in this struggle, the master or the pupil.

British Interests in Shanghai

The fall of Shanghai to the Chinese Communists has given rise to the question of what precisely is the British stake in China and especially in Shanghai. This question—which recurs at all times of crisis in China—is usually posed as requiring an answer in terms of pounds, shillings, and pence, and in that form it is impossible to reply with any very great degree of accuracy. But it is possible to arrive at a rough estimate of the value of the sunken investment, and to get some appreciation of the significance of those other British commercial activities which are unrepresented by a tangible investment.

E. M. Gull, in his *British Economic Interests in the Far East*,[1] quotes Professor Remer's book, *Foreign Investments in China*, as giving a figure of approximately £200 million for British investments in China and Hong Kong in 1931, of which £130 million is attributed to Shanghai. Mr John Keswick, the Chairman of the Shanghai British Chamber of Commerce, addressing the British Parliamentary Mission in October 1947, gave a 'pre-war' figure of £200 million as an indication of British investments in China. Mr Mayhew, Under-Secretary to the Foreign Office, replying to a Question in the House of Commons on 17 November 1948, gave a 1941 estimate of £107 million as the value of British investments in Shanghai alone.

There is a wide divergence between these figures—Mr Mayhew's is almost certainly on the low side, and Professor Remer's seems to be the one based on the most thorough inquiry. Accepting, therefore, his estimate of a Shanghai investment of £130 million in 1931, allowing for accretions between then and the outbreak of

[1] Royal Institute of International Affairs, 1943.

war in 1941, and taking into consideration the decline in the value of money, a fair guess of the present-day value of the British commercial investment in Shanghai alone is somewhere around £300 million. This does not include some £60 million of outstanding debts owed by the Chinese Government to British bondholders, nor Government debts to individual firms.

But the significance of the British stake in Shanghai does not rest mainly on the size of the sunken investment; it rests to a far greater extent upon the earning power of a complex of commercial and financial activities built up over the past 100 years. These may be roughly divided under three headings: (1) the merchant interest; (2) the industrial interest; and (3) the commercial services interest. The merchant interest is the fundamental one. As in so many parts of the world, the British merchant adventurers were early in the field in China, and through their knowledge of international trade, and by their persistence and patience, they built themselves into a position so commanding that, until the outbreak of war in 1941, British merchant houses established in China conducted the major share of China's trade with the rest of the world other than Japan. And British merchants still hold the leading position.

In the industrial sphere, the security to life and property and the rule of law provided by the foreign settlements and concessions ceded by China in the middle of the last century attracted investment on the part of those who recognized the potentialities of the China market and the qualities of the Chinese as industrial workers. Thus was established a British-controlled industrial interest, which, on the outbreak of war, consisted of cotton mills, silk filatures, engineering works, egg processing plants, woollen mills, and countless others. this British interest is second only to that of the Chinese themselves. British shipping companies, covering China's coast and rivers, were also carrying something like one half of the whole of the water-borne internal trade of the country at the time of the outbreak of war.

Side by side with the growth of these merchant and industrial interests, British banks, ocean shipping lines, and insurance companies developed their services, and they also held the leading position in the financing, insuring, and carrying of China's overseas trade.

It will be seen that the British stake in China is essentially commercial, and that it is mainly concentrated in Shanghai. Its value to the United Kingdom lies far more in the invisibles, which accrue to this country, than can be conveyed by any set of figures, either of investment or of trade. Shanghai is, in fact, a key point in the scheme of Britain's international trading structure.

Whether or not the British stake in China can preserve its value remains to be seen. With the relinquishment of exterritoriality and the rendition of the settlements and concessions by the Treaty of 1943, the security and rule of law which attracted British investment has largely disappeared and may not be re-established under Chinese jurisdiction for a long time.

The Berlin Currency Situation and German Inter-Zonal Trade

The attempts to come to at least a limited agreement over Germany at the Foreign Ministers' Conference seem to have been governed on the one hand by the Western Powers' desire to obtain written guarantees of free access to Berlin, and on the other hand by Russian eagerness to reopen trade relations between East and West. There seems reason to believe that the economic difficulties in the Eastern Zone have become acute. Not only is the Eastern Zone in great need of the industrial and manufactured goods which Western Germany can supply, but it also requires the West as a market for its products. Western Germany, on the other hand, with the help of Marshall Aid and other subsidies from the West, is well on the road to recovery and to some extent at least has found other markets and other sources of supply. Nevertheless, in the long run, and especially when American subsidies are discontinued, Western Germany will require a large volume of trade with the Soviet Zone and with the countries of Eastern Europe which have always been the traditional source of supplies and a market for Germany. The Western Powers' insistence on a guaranteed line of communications to Berlin is based on a natural desire not to have to continue the expensive airlift any longer than is necessary, and also to ensure Berlin's ability to regain economic stability by trade relations with the West. But the question of free access to Berlin is only a part of the Western Powers' desire to tie the Russians down to definite conditions regulating inter-zonal traffic.

Inter-zonal trade relations have been further complicated by the present adverse position of the East mark in relation to the West mark. Eastern Zone traders could not afford to buy goods from the West at a four to one rate of exchange, and uncertainties about exchange rates made Western Zone traders reluctant to accept large orders from the Eastern Zone. Without some adjustment of the two currencies, only a restricted volume of trade can be carried on, limited largely to barter transactions. Any stabilization of the exchange rates can only be of advantage to both sides from the point of view of trade, in that it would allow for a much greater mutual interchange.

The currency situation has been especially anomalous in Berlin.

As there was a rigid official separation of the two currencies valid in the East and West Sectors, Western Berliners, having exchanged their West marks for East marks at the black market rate of nearly one to four, could buy goods in the Eastern Sector for about a quarter of the price they would have had to pay in the Western Sectors. On the other hand, those with only East marks available found life in the Western Sectors almost four times as expensive. The Berlin rail strike, for instance, was originally caused because Western Sector railway workers paid in Eastern marks found that the cost of living in the Western Sector was quite prohibitive. Their weekly pay packet in terms of Western marks was the equivalent of only £1 sterling, and they discovered that when on strike they would be better off, in that they would then receive 1s. 6d. per day as Union strike pay and approximately £2 5s. as municipal unemployment benefit.

When the blockade was lifted and a flood of goods entered Berlin at relatively cheap prices, the lack of parity between the two currencies became more dangerous. Eastern Berliners crowded into the Western Sectors to buy goods unavailable in the Russian Sector, especially those which, even with the adverse rate of exchange, were cheaper than those available on the special free markets set up by the Russians. These markets were for the sale, at exorbitant prices, of goods which were rationed or unobtainable elsewhere. It thus seemed possible that West Berlin might become a dumping ground either for the Eastern mark—with a consequent further depreciation in its value—or for Western marks accumulated in the Eastern Sector during the blockade—with the probable result of a rise in prices.

Provided there are adequate arrangements to prevent undue syphoning of supplies—especially those financed by American aid—from Western Germany to the Western Sector of Berlin and thence to the Eastern half of the city and the Soviet Zone, greater freedom of trade can only benefit the economy of both Zones. The West will obtain the textiles, optical goods, and agricultural products which she wants, while the East will benefit from the influx of manufactured and industrial goods.

The Strategic Significance of Kashmir

As the League of Nations learnt in the fateful days of the Lytton Commission's fruitless quest in Manchuria, the machinery of international arbitration fails to keep pace with the march of events. On New Year's Day the United Nations recorded a real achievement in the proclamation of the 'cease fire' in Kashmir by India and Pakistan, in agreement with the truce proposals set out in the resolution of the United Nations Commission to India and

Pakistan, of 13 August 1948. A plebiscite on Kashmir's destiny was to be held under the Commission's auspices—Admiral Nimitz accepted the appointment as its Plebiscite Administrator on 22 March—and on 15 April the Commission formally presented to both disputant Governments its further proposals for adjusting viewpoints within the framework of its August resolution.

Unfortunately neither country has been able to accept these proposals, and in the meantime the situation has deteriorated. The 'cease fire' was received with manifest relief on both sides, and particularly by their regular troops, mindful of recent comradeship in World War II. Moreover, neither India nor Pakistan could be blind to the importance of easing the financial strain caused by the operations in Kashmir, apart from the adverse influence of those operations on any mutual efforts to reach agreement in other important fields of political and economic activity. There is also an external danger in the continuance of this disagreement over Kashmir, but the Prime Ministers of India and Pakistan seem to be unable to withstand the pressure of extremists, and so are apt as time goes on to underline their respective claims in public speeches, to the prejudice of the very issue which the Commission has to determine.

Originally, in September 1947, when the tribesmen invaded Kashmir, the Dogra ruler of the State of Kashmir and Jammu appealed to India for assistance and offered accession to the Indian Union. Rightly or wrongly, this accession was accepted by the then Governor-General, Lord Mountbatten, with the proviso that it was subject to the eventual decision of the people of Kashmir, the majority of whom are Moslems. This provisional accession enabled the Indian army to enter Kashmir, and in effect, after driving out the tribal forces, to occupy the capital and a good portion of the country. Meanwhile, a Moslem government, based on what might be called a resistance movement, and known as the Azad Kashmir Government, held on to certain territory in the districts adjoining Pakistan. One of the problems confronting the Commission is the disposal of this organization.

The Government of India has now accepted four nominees to represent Kashmir in the Indian Parliament. These nominees were made by the Maharaja on the advice of Sheik Abdullah, the Congress-supported Prime Minister. This has prompted the Pakistan Government to charge India with anticipating the findings of the plebiscite, and has therefore aggravated the situation.

Admiral Nimitz has already recognized the formidable character of the task of organizing a plebiscite in a country where communications and the life of the population itself are primitive in the extreme. The invasion by tribal forces and by Indian and Pakistan

troops has led to mass emigration, so that there is a considerable demographic disturbance, which may involve the revision of previously well-founded conceptions of the racial composition of the different areas.

Before the transfer of power in the sub-continent, it was always assumed that Kashmir would accede to Pakistan, for the West Punjab provides the normal means of communication between Kashmir and what was once India. The road constructed during the operations by the Government of India at considerable expense does not radically change this economic fact, because whatever may be its military merits, the road is not fully operative in the depth of winter.

Indeed, when Pakistan's genesis was under discussion the popular derivation of the name—*P*unjab, *A*fghania (N.W.F. Province), *K*ashmir, *S*ind—bore testimony to that assumption, and it was frequently argued that Hyderabad, with a Moslem ruler over the predominantly Hindu population, would justifiably be considered as due for accession to India, as set against Kashmir, with the Hindu ruler over the predominantly Moslem population, acceding to Pakistan.

It must now be recognized that the greater resources of the Government of India since the transfer of power have enabled it to secure many of the advantages accruing to *de facto* possession. Possibly partition, which would give India the Dogra homeland of Jammu and recognize the economic link between Pakistan and Kashmir afforded by the transport facilities of the Jhelum river and road communications through Sialkot and Murree, would be welcome. Neither Government, in the political heat generated during the last three months, dares publicly to admit this. There is a danger that the deadlock will persist.

Yet the urgency of an agreement is plain. If India and Pakistan would subordinate their sense of prestige to the need for consolidating defence of the sub-continent's north-west frontier and come to an agreement without waiting for a plebiscite, the result of which cannot be foreseen, the United Nations Commission would probably be relieved and there would be a general easement of internal relationships. The stability of Kashmir is vital to the defence of the sub-continent's north-west frontier. Pakistan bears the burden of maintaining the Durand Line and the long-standing friendship with the northern states of Chitral, Dir, and Swat; but that burden would be intolerable without some close understanding with India, to whom security of the northern and north-western marches is of signal concern. Delhi knows well that at Panipat, ninety miles to the north, India's fate has been settled at least five times in her history by the victory of the invader on that

historic battleground. The coming of air power has made Panipat once again a possible theatre of epic drama.

Unhappily since the 'cease fire' the familiar technique of discovering breaches of the peace by one side or the other has almost obliterated that first happy sense of brotherhood restored in the New Year. The steadying influences probably are the regular high commands on both sides. Yet Mr Liaqat Ali Khan has been compelled to disclaim a readiness to consider partition. Pandit Jawaharlal Nehru has been moved to ancestral fervour (his family is of Kashmiri Pandit origin) in declaring that he will not desert Kashmir, and in asserting that it belongs to India.

All the time there is restiveness in Afghanistan, where the present dynasty is threatened by the revival of Amanullah's pretensions, and where always there is suspicion of movements beyond Afghanistan's own border but within striking distance of Peshawar. Unless India and Pakistan move quickly, their disunity on this question of Kashmir may have severe consequences.

ERRATUM

In the June issue, p. 232, line 19, 'to threaten the State' should read 'to threaten the State Department'.

GREECE AT THE CROSSROADS

APPEARANCES are nowhere so deceptive as in Greece. The problem of the observer in this small strategic key-point in the East-West pressure-war is to see behind the façade of official Greek, American, British, Russian, and Cominform presentation of the 'facts', and to estimate the currents of thought running among the 7½ million hardly-tried men, women, and children who form the Greek nation. Unless the observer takes them into account, he is liable to be taken unawares by one of those frequent somersaults of Greek psychology which bring crashing down the long-range planning structures of Greek Governments, Allies, and enemies alike. In Greece the problem is not how to find the truth, but how to balance the many truths. In the present time an attempt can only be made by keeping the fingers of both hands simultaneously on the pulses of the Greek political world, the Greek Army, public opinion in Athens, public opinion in the provinces (an important but often neglected factor), and the refugees. At the same time the three major problems which make up the one great Greek problem have to be followed 'on the ground'.

The first of these three problems is to end the war against the Communist guerrillas on terms that will not allow the Communist minority in Greece to make another attempt to seize power by military force, subversive means, or political intrigue. The second arises out of the resettlement of the refugees caused by the guerrilla war—one Greek in seven is a refugee—and the restoration of Greek agrarian life and agricultural production. The third problem is concerned with the reconstruction and rehabilitation of Greece—the worst damaged and most impoverished country in Europe, after eight years of war, occupation, revolution, and civil war—on a new industrial, economic, and social basis enabling her to feed herself and eliminate the stagnant poverty that breeds Communism.

THE GUERRILLA WAR

But no real resettlement and reconstruction can be done until the guerrilla scourge is eliminated. Security has to be brought back to the whole land and to the road and rail routes linking the different productive areas over the intervening mountains. At present it is still not practicable or safe to travel overland to Salonika and Macedonia, or to Ioannina and the Epirus, nor even to Delphi, Larissa, Preveza, Kozani. Only the Peloponnese is cleared of the guerrillas and safe again to travel in.

But military operations are well under way. The Commander-

in-Chief, General Alexander Papagos, hopes before the winter to clear the mainland of Greece up to the guerrilla pockets along the northern frontiers. Large-scale operations in the Roumeli area of central Greece have split up the guerrilla 2nd Division under Diamandis into small groups, kept continually on the run and being steadily reduced in numbers. The pursuit goes on also in the Agrafa and Othris areas against the remnants of the guerrilla 1st Division under Ghiotis and Bandekkos. On the southern Pindus the Greek Army is pressing the scattered remnants of the guerrilla Southern Greece Headquarters, the guerrilla Cadet School, and the H.Q. Security Corps. In the Olympus-Hassia area about 500 guerrillas are under Greek Army pressure. In the Peloponnese, which six months ago was completely dominated by some 6,000 guerrillas, only about 300 remain, avoiding fight and under constant pressure from the Greek Light Infantry Battalions and gendarmerie cleaning up the area.

Before the winter operations began in the Peloponnese, the Greek Army had taken into preventive custody several thousand civilians who they had good reason to believe might assist the guerrillas by supplying them with information, food, transport, shelter, and other functions of an army's auxiliary services. This measure, carried out under military law, and in spite of severe criticism from some political circles in Athens, crippled the guerrillas from the very beginning of the campaign, to the success of which it contributed in great part. The same procedure will now be followed before the Greek Army operations about to start in northern Greece, where the guerrillas last year relied to a very large extent on terrorized or sympathetic help from civilian populations in the operational areas. The Peloponnese guerrillas, however, suffered an additional disadvantage which is not shared by the guerrillas in northern and central Greece. Lack of open supply routes to the guerrilla bases along and across the Greek borders deprived the Peloponnese guerrillas of the supplies of arms, ammunition, food, and clothing they were urgently begging for in their signals to the guerrilla High Command. Two notable features of the Peloponnese campaign were the complete lack of mines in the Greek Army's advance routes and the appalling privations to which the guerrillas were subjected as the winter campaign proceeded. For these reasons, the speed and economy with which the Peloponnese guerrillas were cleaned up, which came as a surprise even to the Greek General Staff and British and American military observers, cannot be expected in the present campaign in northern Greece. Here the guerrilla forces have their backs to the frontiers and the supply bases in Albania, Yugoslavia (the guerrillas are still supplied from Yugoslavia

through narrowly defined and controlled channels), and Bulgaria.

While the Greek Army is steadily pursuing and eliminating the guerrilla forces in Roumeli and central Greece, General Ventiris is in Kozani planning and co-ordinating the next stage of the Greek General Staff plan—the cleaning up of the Epirus and Western Macedonia and the pinning of the guerrillas inside their frontier mountain strongholds of Grammos, Vitsi, Belles, Kaimaktsalan. In each of the two main areas of Grammos and Vitsi are at present concentrated some 6,000 guerrillas. Altogether along the frontiers some 14,000 guerrillas are located, with a further 4,000 dispersed inside Greece. About 25 per cent of these are women and more than half the total guerrilla force is believed to have been recruited by force. Yet such is the discipline of the Communist system, with political commissars planted throughout the guerrilla formations and the threat of fearful personal punishment or of reprisal against their families, that few guerrillas dare to desert, and in battle prove to be fierce and determined fighters. Even in the Peloponnese the writer saw how the guerrillas who surrendered to the Greek Army each night did so because the village in which their relatives lived had been liberated by the National Forces during the previous day. Invariably, also, they surrendered singly, not having dared to discuss the idea even with their friends in the guerrilla ranks. Until that time they continued to fight and to shoot with determination against the Greek Army troops, conscious all the time of the eye and the trigger-finger of the guerrilla commander and political commissar behind their backs. Such is the discipline of the Communist guerrilla army, and it has welded an effective fighting force. It should not be forgotten, moreover, that many guerrillas who were taken to the mountains by force, or are there from personal or political reasons, remain there through fear of the consequences of some of the deeds they have perpetrated while serving in the guerrilla forces. Any amnesty which may eventually return them to normal social life will have to be very wide indeed if the seeds of the guerrilla movement are not to sprout again. The misfits must also be reabsorbed.

For the future internal security of Greece there is no doubt in the minds of the Greek Government, Army, and people that any peace settlement should be based on the total military defeat and unconditional surrender of the guerrillas. More than anything else the Greeks fear a repetition of the 'Varkiza Agreement' of 1945 which ended the bloody Communist revolution and left the 10 per cent Communist minority with the means, the organization, and the incentive to try again, only eighteen months later, to seize power by the steady attrition and armed force of the guerrilla war. Greeks fear the possibility of a 'fourth round', if and when Moscow

thinks fit to seek again her outlet on the Mediterranean throug
Greece.

But three years of constant guerrilla war have been exhaustir
for both sides. It has cost the guerrillas over 31,000 dead, 45,0c
captured and surrendered, and an estimated 30,000 wounded. Tl
Greek Army has suffered 11,000 killed, nearly 24,000 wounde
and 4,000 missing. Civilian losses from the guerrilla war in kille
alone number over 3,500 executed by the guerrillas and some 7c
killed by mines. All these are in addition to the 45,000 civiliar
slaughtered and the suffering of hundreds of thousands of hostag
taken by the E.L.A.S. during the terrible revolution of Decemb
1944. Greeks have had personal and bitter experience of Com
munism at first hand: few now wish to see the perpetrators of suc
crimes as their masters.

Until this year the guerrillas had no difficulty in replacing the
losses by forcible recruitment within Greece and by reinforcemer
from the training camps and hospitals in the Slav 'satellite' State
along the Greek frontier. By the beginning of this year it seeme
that all the sacrifices and the exhausting mountain campaigning c
the Greek Army last year had not brought the destruction of th
guerrillas one bit nearer. By last autumn Roumeli was cleare
Grammos was taken after bitter and costly fighting, Epirus wa
cleaned up; only the Peloponnese and some localities along th
rest of the border remained to be dealt with. Yet by February c
this year the guerrillas were back in Grammos and the Epirus an
were harrassing Roumeli. Terrible guerrilla attacks in divisio
strength were launched against Greek towns—Karpennis
Naoussa, Edessa were entered, destroyed, looted. Two-thirds c
the country was under the constant menace of the guerrilla mass
raids. Greek and Allied officials saw the situation as the mos
serious since December 1944.

The incredible surface change which has taken place within th
last six months is typical of Greece and is the result of comple
circumstances. The Cominform purge of the Greek guerrilla an
Communist Party hierarchy eliminated Markos and brought th
rebellion firmly under Moscow's control. The process was com
pleted by the linking of the Greek guerrilla movement with th
Macedonian Autonomist Movement under Bulgarian aegis. Th
K.K.E. (Greek Communist Party) and the guerrilla army are no
completely at the Cominform's disposal for use against Tito a
well as in Greece. But with Markos the Cominform sacrificed
good General and brought a wave of confusion and disillusionmen
to the Greek guerrillas in the mountains and the Communists i
the towns. Markos was convinced that large scale attacks wer
costly and did not pay: raids, terrorism, and attrition were th

guerrilla methods that paid dividends and were most likely to break Greek morale, nullify American reconstruction, and bring the bankrupt Greek Government eventually to terms such as would give the K.K.E. a firm foothold for exploitation. Markos's removal, an obvious state of flux in the Cominform's Balkans policy, and a series of large-scale military enterprises which all turned into costly disasters wrought a fall in morale within the guerrilla ranks from which they have not yet recovered. It was aggravated by the Greek Army's unexpectedly rapid and complete victory in the Peloponnese and by the new drive of the National Forces under the leadership of the new Commander-in-Chief, General Papagos.

Papagos is no military genius, but he has the seniority, unswerving honesty and courage of his convictions, and the universal prestige to give the Greek Army and nation a leadership which it has lacked until now. The reforms he instituted in the Greek Army after accepting the Government's request were not revolutionary. They consisted mainly of a tightening up of every section of the Greek military machine. Most valuable of all was the restoration of confidence in the armed forces and the nation. Even the political world, until this time quite ready to gamble with the critical situation for the sake of personal or party gain, found itself included, willy-nilly, within the Commander-in-Chief's new national drive and discipline based on popular approval.

Much of the Greek Army's success in the field since the disasters of February can be attributed to the new methods, discipline, and morale brought by Papagos. The constant and unrelenting pursuit on which the Commander-in-Chief insists has enabled the Greek Army to exploit guerrilla mistakes and press their advantages home. At this moment there is good reason for the optimism and satisfaction of the Greek Army, Government, and people. They have regained the initiative in the guerrilla war after passing through a dangerous and terrible phase. The guerrillas have not been able to replace their losses, and are reduced from last year's consistent 28,000 first-line fighters to some 18,000 tired and apparently dispirited men and women, held together mainly by the terroristic Communist discipline. Their fate is in the balance even on their own side. Will Russia call off the Greek guerrilla war as part of an East-West appeasement, even if only temporarily? Will Greece's northern neighbour States receive Cominform instructions to cease their aid to the guerrillas, without which the Greek Army could have crushed the whole guerrilla movement in a few months' campaign? Will Moscow try to save the remnants of the guerrilla movement before it is too weakened to do more than hold a few mountain pockets along the Greek borders? Will the United Nations succeed in restoring relations between Greece and

her northern neighbours on terms which include the cessation o aid by the latter to the guerrillas and the closing of the frontiers These are the questions which dominate this stage of the guerrill struggle on the political side. What sort of peace can be made wit the guerrillas?

But Russia may not wish to call off the guerrilla war. Or sh may wish to do so only to save the guerrilla forces for a futur renewal of the attempt to swing Greece into the Russian orbit Even while talks are proceeding between Russia and the Wester Powers on an unofficial basis behind the scenes for a pacificatio of Greece, all the northern neighbours continue to pour in aid t the guerrillas. Should Russia, instead of calling off the Gree guerrilla war, wish to intensify it, there are, according to militar experts, some 10,000 Slavo-Macedonians of first and secon generation Greek origin within the Cominform States. Thes could be 'recruited' by the Cominform for service in the Gree guerrilla army under its new combined K.K.E.-N.O.F. (Autono mous Macedonia Movement) aegis. In addition there are th 'Tsamides'—the Greek minority in Albania who went there o their own volition after aiding the Axis occupation authorities i World War II. If the Cominform desires it, there is still material a its disposal for reinforcing the Greek guerrillas. But perhap Moscow may prefer to resolve the Tito problem before turning o Greece with the additional advantage of unrestricted Yugosla bases. Meanwhile, for squeezing Yugoslavia, Greek territory unde guerrilla control completes the ring around Yugoslav borders

THE GREEK ARMY

There is, however, a further factor in the Greek military situa tion perhaps underestimated by official circles. If the guerrillas are exhausted, so is the Greek Army. Greek troops have now bee continuously in the mountains for three years. Many of those stil there have been at war, without being able to resume their norma civilian lives and careers, on and off for eight years. Mountai campaigning against a ruthless enemy who observes no rules an who is the cruellest of foes is the most physically and nervousl exhausting of all types of warfare. The writer knows Greek officer who return to the front before their few days' leave is over becaus they have lost the art of relaxing and find normal life a strain t themselves and their families. Their thoughts and dreams are o their outposts, on minefields, on ambushes.

Worse, however, for the Greek soldier than the strain of guerrill warfare is the gnawing anxiety over his family's economic con dition. Many officers and troops on the Grammos and Mace donian fronts have related how in their free moments their mind

are filled with worries aroused by the descriptions in letters from their homes of the starvation and privation to which they have left their wives and children. Cases of desertion have occurred where the soldier has been so overwhelmed by these anxieties that he has taken the extreme risk of leaving his unit, making his way home, obtaining work for a few weeks to pay off the accumulated debts and give meat to his family—and has then given himself up to the Greek military police to await a possible death sentence for desertion in the field.

This is the basic reason why you will hear the general murmur among the victorious troops: 'It must finish this year!' The danger is that if this summer's campaign once more ends inconclusively; if this autumn the Greek Army and nation is faced with the continuation of the war next year; if, added to rising prices, continued inflation, increased misery of their families, the Greek troops are faced with another grim winter and a repetition of the campaign next spring, Greek Army and civilian morale will fall lower than ever before in this long-drawn-out struggle. It is just such a loss of national morale that could undermine all the plans and forecasts of Greek and Allied official circles and surrender Greece at the last moment to the kind of compromise peace with the Communist guerrillas on their terms that could make of Greece a new Czechoslovakia or Hungary. The Greek Army must win final victory this year. The Greek mainland must be completely cleared of the guerrilla scourge. The guerrillas must be confined effectively on the frontier if they cannot be eliminated. The United Nations must close the frontiers.

General Papagos hopes he can achieve the cleaning up of continental Greece. But he is not able to guarantee doing so this year with the 200,000 troops at his disposal. British and American military mission observers do not see how he can do it. All on-the-spot observers are convinced of the necessity of increasing the Greek Army by at least another 50,000 men, maybe 100,000, in order to complete the job in time. With the present strength, the General cannot launch cleaning-up operations in all or most of the main areas simultaneously. He cannot keep a proportion of the army out of the battle for rest, training, and use as reserves to be thrown in on the needed sector and at the crucial moment. And the experts here reckon both these are necessary factors in the final crushing of the guerrillas. Otherwise they may again do what they have done a score of times—escape the Greek Army's closing pincers at the last moment and live to fight another day.

Besides the increase in the Army, Papagos and local observers are convinced of two further necessities for guaranteeing victory this year. These are, first, the increased use of Commando-type

units, fighting guerrillas on their own terms and with unrestricted movement; and, secondly, the use of the surprise element. To achieve this there must be a greatly increased air supply service, freeing the Commandos from dependence on supply columns and making them more mobile even than the guerrillas. But creation of these will take many months.

New commando groups are being formed. But the American Government has so far opposed all requests for an increase in the Greek Army. Their answer is: 'Improved quality, not increased quantity.' But while they are right that the quality of the Greek Army now leaves something to be desired, especially in its leadership, they seem to avoid facing facts as they are. Under the present conditions the only way of improving the quality of the Greek Army may be by increasing the quantity—to improve morale, to facilitate the striking of the guerrillas on all fronts at once, and to make possible the resting and retraining of battle-weary formations for use as reserves. Admittedly the Americans pay the piper—but most observers here are by now convinced that a small extra investment now would save heavy losses later and would pay valuable dividends in the securing of Greece as a free and independent nation, embarked on an uninterrupted reconstruction programme. Greek reconstruction has been tragically delayed. At present it is still not too late: in a few months it may be.

THE ECONOMIC CRISIS

For behind the military problem is a financial, economic, and social problem rapidly rushing towards crisis. Two-thirds of the Greek Budget goes to support the military struggle. This is the Greek financial contribution to pay for the war, over and above the 1,000,000 dollars per day it is costing the U.S.A. in military aid. In addition 75 per cent of the E.C.A. funds destined under the Marshall Plan for Greek reconstruction last year have been swallowed up directly or indirectly by the guerrilla war and relief to the populations made destitute by it. There is a show of reconstruction in Greece—roads, ports, airfields, masses of machinery—but in fact and for the present this is partly a façade hiding increasing poverty. This year's Greek Budget deficit will be greater than ever. Yet the Finance Minister's next Budget is already saddled with promises of civil servants' wage increases, augmented pensions, and the rest. This can only mean new and increased taxes, resulting in further price rises and inflation.

In a country where prices of food, clothing, and household commodities are from three to five times current British prices, the workers' daily wages average 10s. 6d. for men and 7s. 6d. for women. Workers are content if they manage to afford meat twice

or three times a month for their families. The rest of the time the diet is one of beans, cheap vegetables, and bread. Even olive oil, the staple Greek commodity which takes the place of fat in the Greek diet, is now almost out of reach at the price of 5s. per lb weight. Clothes can be afforded for the children only, and then with difficulty and sacrifice. This situation has continued throughout eight years of occupation, war, and guerrilla terrorism. The Greeks are approaching the end of their tether.

This summer are expected huge waves of strikes, probably a general strike, growing out of the general economic discontent. Only a Government that can promise and show the real indications of an end to this situation will be able to stand and lead the Greek people to peace and reconstruction. They are no longer to be pacified with words and demands for more sacrifice. There is a general dissatisfaction with the whole of the Athens political world, and even the present coalition Government is hanging on to power by a slender thread of tolerance—of 'want of anything better'—reinforced by American and British hopeful blessings. There is a general suspicion that the Government has no plan. It has retained the nominal value of the omnipotent 'gold sovereign' at 230,000 drachmae. But the sovereign buys one third of what it purchased a year ago.

Meanwhile problems are crowding on the Government. The finishing of the war. The resettlement of refugees. Social problems, wage problems, rising prices, uncodified taxation, a new constitution. . . . The horizon militarily is brighter, but Greece is not yet on the road to recovery. Without adequate support she may yet be brought to begging for 'Peace at any price'.

K. B.

THE NORTH ATLANTIC PACT

1. CONGRESS AND THE MILITARY COMMITMENT

ON 19 March 1920 the Treaty of Versailles was finally rejected by the Senate of the United States, falling short by seven votes of the two-thirds majority necessary for ratification. Had anyone on that unhappy occasion prophesied that within thirty years that same body would not only have ratified American entry into the United Nations, but would also be about to endorse American participation in a large European pact of collective security, he would have been regarded as a pathetic victim of his own wishful thinking—or else as a dangerous idealist hurtling the United States at a reckless speed down the grooves of diplomatic change into 'foreign entanglements' and abdication of sovereignty.

Unless the ratification of the Atlantic Pact is viewed against this background of history—a history no older than the average voter's memories of his boyhood—the revolution that it represents in American thinking and behaviour will elude even the closest student of the debates, Congressional and extra-Congressional, which have accompanied its passage this year. In the Senate which is ratifying it there are members who were youthful Senators when Henry Cabot Lodge tried to talk the League to death by expending a fortnight on reading aloud the entire text of the Versailles Treaty Amongst the public who watched on their television sets the ceremony of signature at the State Department there must have been many who had heard President Wilson speaking from the platform of his railway train on the hopeless coast-to-coast campaign designed to generate popular enthusiasm for the League

What perhaps is even more telling is that less than ten years have elapsed since that fateful afternoon in June 1939, when President Roosevelt vainly sought to secure the consent of Congressional leaders to a lifting of the arms embargo, only to be met with a firm refusal and Senator Borah's 'information' that there would be no war in Europe that autumn. An even fresher memory is the Presidential contest of 1940 and the pledges given by both contestants that no Americans would be sent to fight in foreign wars. All this is but yesterday. If the halls of Congress are not still thronged with the enthusiastic supporters of 'neutrality' Nye and 'America First', it is not because age and time have removed them, but because the American voter has deliberately rejected them at the polls. It is only because a whole nation has explicitly turned its back on the ways, not merely of its forefathers, but even of its own

upbringing, that an Atlantic Pact could so much as be mooted at all. If therefore in the public attitude to this far-reaching commitment there are to be detected any elements of ambiguity or reservation, they must be seen for what they are—not the first murmurs of an approaching storm, but the last echoes of a dying age. It is the squeaks of ghosts, not the whimperings of lusty babes, that are audible in the opposition votes and the leaders in the *Chicago Tribune*.

That is not to say that the Atlantic Pact has been enthusiastically received. Fundamentally the United States is a peace-loving democracy, if by peace-loving is meant a dislike of militarism as such, and a distrust of war as an adequate solution of any international problem. The representatives of the Methodist Church or of the influential religious weekly, the *Christian Century*, who have opposed the Treaty at Senate hearings on grounds of Christian pacifism, have voiced the anxieties and discomforts of many who, without feeling able to accept their reading either of Christian doctrine or of international relations, yet view the Treaty as a second best—inevitable and necessary no doubt, but none the less capable, if wrongly employed, of being that *corruptio optimi* which is indeed the worst of all possible alternatives. Those whose attitudes are tinged, vocally or (more often) inarticulately, with some measure of this uneasiness constitute a great and broad band of opinion, in all grades of American society and in all regions of the United States. They number in their ranks the early fighters for 'interventionism', the advocates of the United Nations, the supporters of E.R.P., and all those who heard the news of Hiroshima with something less than unmixed relief. These are the voters to whom were addressed the assurances of the President and Mr Acheson that the Pact was not at variance with the Charter of the United Nations, that it implied no aggressive intention, that it was in fact a step towards the establishment of a world-wide system of peace and order. Chilled as this public has been by the mounting evidences of Russian animosity towards the United States and towards the political values of Western civilization, it is still more sorrowful than angry that its friendly advances have been rebuffed and that all channels of peaceful intercourse seem to have been blocked. Viewing the Atlantic Treaty in this mood, it cannot help recognizing that, in one respect at least, the Treaty is another barrier, and an American one this time, to that free intercourse which somehow remains, obstinately and sometimes against reason, its ultimate hope for peace.

But this emotional undertow, persistent though it is, has been overlaid by a recognition of the compulsive logic of circumstance.

The facts of the case were all too plain; the menace was indubitable, the risks of passivity were obvious, the range of alternative courses of action was slender indeed. The Pact might not be the perfectionists' choice, but it was unmistakably the only way to escape from a clear and present danger. As such it became acceptable, without the necessity of first becoming popular.

This is the explanation, one suspects, for the curious lack of public interest or excitement over the Pact remarked upon by observers, once they moved out of self-conscious Washington into the political hinterland where dwells Dr Gallup's average *homo politicus*. Congressmen, revisiting their states and their districts during the Easter recess, which fell across the public hearings of the Senate Foreign Relations Committee, found their constituents 'largely apathetic' over the issue. Out-of-town newspapers, except on rare occasions, relegated reports of Senate hearings and debates to their inside pages, and their correspondence columns contained few manifestations of readers' reactions, whether favourable or otherwise. Nor were there any of those full page advertisements, arguing pro or con and paid for by political associations and 'pressure groups,' which have come to be such a characteristic feature of American political controversy.

From this it might have been assumed that ratification of the Atlantic Treaty would be a simple and swift process. Any such assumption would have been mistaken. In the first place, the Senate is not a body which takes its constitutional obligations and procedural precedents lightly; as long as the Constitution requires its consent for ratification of treaties, the Senate will, as a prior condition, want to know, in detail and at leisure, first the full facts of the case, then the mind of the talking electorate, and finally, and without benefit of closure, the minds of its own members Secondly, the Treaty, important and above party as most Senators agree it to be, is only one amongst a number of items on the crowded Congressional agenda, and neither the administration nor the Senate has been anxious, for reasons of their own, to displace other items in the legislative queue in order to promote it The result has been a movement which at best could only be described as *andante* and, to impatient observers, often seemed *largo di molto*.

Moreover, although the administration avoided the major errors of strategy which on earlier occasions have marred the presentation of treaties to the Senate, the handling of the Atlantic Treaty has not been entirely free from minor tactical infelicities. There has been one of those breaches of protocol which take on such large, if short-lived, significance when seen through the refracting prism which is Washington society; the State Depart-

ment failed to include in its original invitations to the signing ceremony more than a handful of the ninety-six Senators whose endorsements could alone give validity to the document. Within the Senate the leadership of Senator Connally, the Democratic chairman of the Foreign Relations Committee, has sometimes lacked both the suavity and the decision which, in the days of Republican ascendancy, had been imparted by Senator Vandenberg. Within the administration itself there have occasionally been discrepant voices—though the discrepancies have seldom gone beyond matters of method and detail. Indeed, to any one familiar with the Washington scene what must seem remarkable is not the outcropping of these political molehills, but the fact that there has been so little disposition to magnify them into mountains, vast Alpine barriers in which even the best-guided legislation may be lost. It is eloquent testimony to the absence of any serious body of opposition to the Treaty and the continuing vitality of the bipartisan principle in foreign policy.

What then provided the substance of argument in Senate hearings and debates? First and least important was the downright opposition to the Treaty as such This, in the accurate delineation of the *New York Times*, was confined to a 'medley of die-hard isolationists, well-meaning but politically innocent pacifists, and the pro-Soviet faction of the Communists and their fellow-travellers'. Although for purposes of demonstration all the forces available to these groups were mobilized to attack the Treaty, at Senate hearings, on public platforms, and in print, the result was not impressive. The relics of Mr Wallace's following made the loudest showing, Mr Wallace himself setting the pace by attacking the Treaty as the product of an alliance of 'certain elements in the Catholic Church', 'British imperial interests', and 'our own American big business interests'. But this sinister trinity, which had done such good service in the pre-war years to the cause of 'Know-Nothing' isolationism, seems to have lost its power to terrify; the answering echoes from the street corners and the grass roots sounded even less impressive than Mr Wallace's voting strength in the Presidential contest of last November.

Outright opposition apart, criticism fastened on two main points—did the Treaty invade the Congressional monopoly of the war-making power, and was it going to involve the United States in additional and excessive expenditure? Anxiety on the first point fastened on Article 5 of the Treaty:

> The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them . . . will assist the Party or Parties so attacked

> by taking forthwith . . . such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

Did this mean, it was asked, that if bombs fell on Oslo or London the United States should behave exactly as if they had fallen on Washington or New York? If so, what became of the clause in Section 8 of Article 1 of the Constitution of the United States which states that: 'The Congress shall have power . . . to declare war?' Did this not mean, in effect, that any European State could, by its own intemperate action, not only plunge the United States into a war that was none of its own seeking, but also effectively violate a clause of the Constitution?

To this there were three lines of reply:

(i) that Article 2 of the Treaty expressly respects the constitutional procedures of signatory States: 'This Treaty shall be ratified and its provisions carried out by the Parties in accordance with their respective constitutional processes.'

(ii) that the power Congress was so keen to conserve was, in any case, more nominal than real. It has always been recognized that the President has both the power and the obligation to employ the armed forces to repel attack, whether or not that attack falls upon the actual territory of the United States; if the result of his action is the creation of a *de facto* state of war, there is little chance of a Congress standing on the bare letter of the Constitution and refusing to convert it into *de jure*. It had not so refused in 1846, when Polk provoked the Mexican War by ordering American troops to cross the frontier, or in 1898 when McKinley sent the 'Maine' to Havana, or in 1941 when the Japanese sent their bombs into Pearl Harbour. Even in 1917 when hostilities were formally inaugurated by a Congressional declaration of war, the act was a virtually inescapable conclusion to a long course of diplomatic action which Congress had done little or nothing to shape. If in all these instances, it was argued, Congressional freedom of action had in fact amounted to no more than a recognition of a binding necessity, was it likely that any future contingency would find Congress any more happily placed?

(iii) that although there was indeed a moral obligation to aid fellow signatories, the Treaty left it open to each member to decide the manner and timing of its aid. There was a distinction between major attacks and 'border incidents', and the United States was free in each case to form its own opinion upon the question of whether the result was a threat to 'the security of the North Atlantic area'.

These were the formal replies to Senators' questionings on the fate of their constitutional prerogatives. But as discussion of the

Treaty proceeded it became increasingly apparent that a more fundamental answer was contained in the brute facts of world strategy. American troops were, in fact, in Germany and Austria; Scandinavia apart, any Russian attack on the Atlantic Powers must automatically bring them into contact with these forces lying across their path. The extended commitment had in fact already been made; the Treaty was merely a formal recognition of it.

This was true of the moment, but what of the future? The day would come when American occupation forces would be withdrawn and their significance as a contact fuse, so to speak, would disappear. What then? Discussion, very sensibly, did not much dwell on this hypothetical phase, but one attitude towards it was clearly implied in the evidence provided by General Bradley at the Senate hearings 'Our frontiers of collective defence', he said, 'lie in common with theirs [the other signatories'] in the heart of Europe.' The cost and the peril of another invasion of the European continent must be avoided, by the United States recognizing now that its strategic requirements imply the defence of Western Europe, not its eventual liberation.

At this point in the discussion strategic, economic, political, and (not least important) inter-service arguments found their meeting place. If the United States frontiers were in Europe, that implied arming Europe, not as a mere outpost to win time, but as a soil to be preserved from invasion. Arming Europe implied implementing the Treaty with a programme of military aid. Equally, if Europe was to be held, and not merely liberated, that implied ground forces and not merely long-range air forces, and so the argument led back to a long-standing difference of view between the Army and the Air Force. Finally, if America was committed to this permanent extension of her strategic frontiers, good-bye to that ghost of isolationism, 'continentalism', or the policy which advocated arming an autarchic United States to the teeth, but keeping these forces behind her own continental coastline and steering clear of all 'entangling alliances'. The argument, needless to say, by no means always proceeded with a clear recognition of its full logical implications, and the battle was at no stage joined all along this extended front, but at one stage or another most of these considerations became involved. Most frequent and most openly canvassed of all, however, was the issue of cost.

Even before the Treaty was signed discussion of a programme of military aid was widespread, and when on 7 April the State Department published the Brussels Treaty Powers' request for assistance, Senators Connally and Vandenberg let it be known that

they considered it a 'blunder' to bring this up 'before the ink was dry' on the Treaty itself. Some of their colleagues who endorsed their objection were animated, no doubt, by an aversion to any arms programme as such, or at least any arms programme which would cost money. But the anxieties of the two party leaders had other roots. When even so seasoned an observer as Miss Anne O'Hare McCormick of the *New York Times* could anticipate that the Senate debate over the Treaty might well be 'more heated than over E.R.P.', and when the E.R.P. appropriation itself was making heavy weather in Congress, it was understandable that those responsible for seeing the Treaty over its Senatorial hurdles should be concerned at the introduction of any other factors which might be used to impede its passage.

To appreciate the significance that the arms programme assumed in the Treaty discussions, one must bear in mind the United States budgetary problem as it presented itself to the Congressional legislator. In his January Budget message, covering the financial year which began on 1 July 1949, the President estimated expenditures at $41,858 million, foresaw a deficit of $873 million on the basis of the existing tax levels, and asked Congress for a $4,000 million tax increase to meet the deficit, the surplus to be used for reducing the burden of the national debt. On such budgeting even an additional $2,000 million for military aid could have been carried fairly comfortably. But by April it seemed likely that the revenue estimates had been pitched about $2,000 million too high, and that consequently, on existing tax levels, there would be a deficit of almost $3,000 million, wholly apart from the cost of any military aid. Congressional feeling towards this prospect found frank expression on 23 May, when the House Appropriations Committee voted to reduce the 1949–50 E.R.P. programme by 15 per cent, to approximately $3,500 million. (At this figure, incidentally, the House stuck, though a compromise was reached permitting the administration to spend the total, if necessary, in 13½ instead of the full 15 months, thus providing in effect for the possibility of a supplementary vote later.) An 'economy drive' has in fact been under way in Congress since the spring, and it has gained in strength with every report of rising unemployment, falling prices, or other evidence of a domestic business 'recession'. Moreover, since most Congressmen are reluctant to reduce expenditure on those items of domestic policy which are popular with the average voter, there is a natural temptation to let the axe fall first on expenditure overseas.

When, therefore, rumours began to circulate in Washington that the cost of the military aid programme might be as high as $2,000 million, many friends of the Atlantic Treaty were anxious to have

the two topics left as far apart in public discussion as possible. This disposition grew with the President's statement on 8 April that the cost of such military aid could not be met out of the existing Service estimates and would require the voting of additional moneys by Congress. (This was in contradiction of a statement by Mr Nourse, the Chairman of the President's Council of Economic Advisers, that the cost would have to be met out of the existing military budget.) The President's message accompanying the Treaty, when he transmitted it to the Senate, did not, however, make any mention of military assistance, and it was not until 21 April that the programme for aid was made public. From this it was learnt that the earlier estimates had been exaggerated. A figure of only $1,130 million was now being sought, and of this it was estimated that perhaps no more than $678 million represented fresh expenditure, since the remainder would be taken from surplus items in the existing military stocks. Relief at this proposal was general; even Senator George, the principal Democratic champion of economy, conceded that the plan was now 'generally better off' in Congress.

But the desire to keep separate consideration of the Treaty and of its military implementation persisted. 'The North Atlantic Treaty would be a good Treaty', said Senator Connally, 'even if it didn't have any arms programme at all.' When, therefore, the Secretary of State, Mr Acheson, came to give evidence before the Foreign Relations Committee, there was a widespread expectation (and in many well-wishing quarters a sincere hope) that he would play down the connection between the two proposals. Instead, the Secretary of State took the path of complete candour. When asked if ratification of the Treaty implied an obligation to vote for the arms programme, he replied: 'If you ratify the Pact it cannot be said there is no obligation to help [militarily]. There is an obligation to help, but the extent, the manner, and the timing is up to the honest judgment of the parties.' Senator Vandenberg demurred and thought a Senator could 'accept the obligation [to help the Treaty signatories] when it arises without accepting an obligation to prepare in advance to implement the Treaty', but Mr Acheson persisted firmly in adhering to his point of view, and Mr Johnson, the Secretary of Defence, and Mr Harriman, when their turns came, emphasized their complete agreement with him.

The effect of this straightforward approach seems to have been twofold. Both on the public and on Congress it has produced an impression of candour and open dealing which is certainly valuable; it serves to counter that latent suspicion of State Department deviousness and 'secret diplomacy' which is one of the most persistent elements in American popular thinking, and it builds up

for Mr Acheson a reputation for frankness which is a pricele
asset. At the same time it has not availed to overcome the timidi
or thrift of Congressional leaders. The Foreign Relations Commi
tee in presenting their conclusions on the Treaty to the Senat
with a unanimous recommendation for ratification, made r
mention of any military assistance to supplement its provision
and it is in the highest degree unlikely that the parent body w
put together what its Committee has so carefully left asunde
Indeed, all reports suggest that while the Senate will certain
ratify the Treaty itself before its summer adjournment, there
considerable doubt whether any action will be taken on tl
military aid programme.

It must be pointed out, however, that this emphatically do
not mean that the Senate regards the Treaty as an empty form
words, which it will never be necessary to implement by arm
What it does mean is that the Senate, not for the first time, h
determined to remain master of its own legislative agenda and
refusing to be rushed or jockeyed by any administration, even o
issues it may endorse. Furthermore, it undoubtedly reflects
marked disinclination, in both houses of Congress, to place
heavier burden on the taxpayer for any addition to his alread
onerous economic commitments overseas. But as to this no or
who is familiar with the psychology of Congressional Budge
making will venture dogmatic predictions before the accoun
books close—and, indeed, not even then.

H. G. N.

2. WEST EUROPEAN REACTIONS: A DUTCH VIEW

THE Atlantic Pact has been inaugurated: in Presider
Truman's phrase, it is generally regarded by the leaders
the participating nations as 'a long step to permanent peace'.
defensive consolidation of the Atlantic nations has been achieve
but the essence of the Pact, collective resistance to further aggres
sion, implies much greater consolidation before any guarante
of peace can be given.

In order to give an impression of public opinion in North-Wes
ern Europe about the Pact, it is necessary to begin with a statemer
of what the Pact means and of the psychological background
the European peoples whose opinion is under discussion. Th
first intention of the Pact is resistance to possible further aggres
sion. It is fairly evident that, apart from our living under th

umbrella of the atomic bomb, Western Europe is not yet fully equipped militarily (to put it mildly), while even in Canada and the United States armament production and industrial mobilization in general have still to get into full gear.

We have therefore to conclude that the main significance of the Pact for the present moment is psychological. It gives some hope to the nations of Western Europe that their countries will not be invaded, although a stronger material basis for that belief is necessary if scepticism is not to return in a fairly short time. Above all, the Pact gives a solemn and official warning that the Western Hemisphere will not stand idly by if Western Europe, or part of it, should be invaded. This, however, can hardly be called news. It has only real value if one makes two assumptions: first, that the Russians did not fully realize the fact of American commitments, and secondly, that they are willing to see it now that the Atlantic Pact has been signed.

If one analyses public opinion in Western Europe *vis-à-vis* the Atlantic Pact in terms of the psychological atmosphere, it will be found that the outlook is conditioned by the German occupation during the second World War, and the Stalinization of Eastern Europe, culminating in 'the Ides of March' 1948, the professedly internal revolution in Prague which acted as a political watershed in Europe between half-innocent collaboration and renewed resistance. Since the liberation, the Continent of Europe is haunted by the fear of being invaded again. Since March of last year it has been haunted by a fear of Russian aggression in addition to the fear of a new German militarism—the latter never very important in Holland, Denmark, and Norway, but somewhat of a neurosis in France.

Strangely enough, these sentiments led in the first instance to an uneasy feeling about Western military co-operation. It was not only Mr Kingsley Martin who, on the conclusion of the Brussels Pact in March 1948 and the inauguration of Western Union, thought this meant no more than 'the blowing of bugles before a cardboard façade'. Scepticism about the Western Union set-up was at first widespread, and up to a point rightly so. In spite of the solemn promises of the Brussels Pact, the economic, social and cultural aspects were neglected, and it was clear from the start that only a military integration could have theoretical significance as long as American help was not forthcoming.

The position has changed considerably, however, since the signing of the Atlantic Pact. The Western Union 'pre-pact' has been widened and made effective. Canadian and United States participation is at least potentially putting teeth into the Atlantic defence system. And the scope has been widened, Iceland,

Norway, Denmark, Portugal, and Italy having been included. Th only question to be asked is whether this enlargement of th 'Atlantic Community' has increased its military effectiveness

The fact must be faced that no less a commentator than M Walter Lippmann, who propagated the idea of an Atlantic Com munity in his *United States Foreign Policy*, published during th last war, thinks the inclusion of the Scandinavian nations and Ital dangerous rather than reassuring. These countries can put u practically no defence of their own, and the extension of th Atlantic 'Lebensraum' to buffer States between East and Wes might conceivably provoke Soviet Russia into a third world war Mr Lippmann would have preferred to retain the buffer States

The first point can hardly be disputed. But there is much doub on this side of the Atlantic and of the Channel about the usefulness of the buffer States Mr Lippmann wants. Being a buffer State is only useful and tolerable for the nation in question if it is able to hold that position even against fairly strong attacks, and if the political vacuum thus created repels rather than attracts potentia aggressors. Both suppositions, in the humble opinion of many people in Western Europe—an opinion supported by some recent evidence—,are entirely unrealistic. The rape of Czechoslovakia was a good example of what would very probably happen to Finland, to Berlin, to Trieste, and to other places this side of the Iron Curtain the moment the present counter-pressure were to weaken considerably. It is suspected in these parts of the world that any 'buffer' position would be far more dangerous than participation in a Pact of which the military strength is still not perfect. This is, of course, the explanation why some long-hesitating nations have at last come down on the Western side of the fence and joined the Atlantic Pact.

None the less, the fairly widespread feeling that there is some 'menace of war' in Western Union, in the Atlantic Pact and such schemes of Atlantic co-operation has not entirely passed away. We need not over-estimate the influence the Communists, the fellow-travellers, and the fellow-travellers' fellow-travellers exert through their peace conferences. The trick is growing old. As President Lincoln said, 'You cannot fool all the people all the time'. But there is a latent pacifism in very many people on the Continent. These people, being ordinary mortals, would prefer being defended (and defending themselves) actively, as living human beings, to being liberated later on as the unlucky dead of a second resistance movement (if any). This is putting it in a rather crude and subjective way. But the same view, this time as an objective strategical truth, is held by responsible American military leaders. Recently General Bradley, speaking at Army Day celebrations in the United States,

pointed out the unmistakable fact that a victory of the West after first withdrawing from the Continent, leaving it occupied by the Russians, and finally liberating it, would at its very best be no more than half a victory.

In this context, if we concentrate our attention for a moment on Holland, it is characteristic of Dutch public opinion that such 'realistic' considerations hardly influence hesitations about the Atlantic Pact. But undeniably there *are* some hesitations. It cannot be said that any of the political parties is opposed to the Atlantic Pact, or even hesitates about its whole-hearted acceptance; the Communists, here as everywhere Moscow-inspired, form a nominal, not a real exception to the general welcome given to the Pact by the Dutch political parties. And the Trade Unions give the same picture, the Communist-led *Eenheids Vak-Centrale* excepted. In *le pays réel,* however, doubts exist, and are slowly coming to the surface.

It is significant that the dissenting or doubting voices do not come from what is commonly called the left wing of the Dutch Labour Party—professedly anti-Communist and realistic in its international outlook as it is. Doubts are felt in the former pacifist circles. They are not exclusively to be found in the Socialist movement, but are certainly fairly strong within the Labour Party, particularly among women. The pre-war Social Democrat Workers' Party was predominantly anti-militaristic, until the menace of Hitler overshadowed other considerations and the Party stood up for collective security. The Dutch Labour Party, formed after the war, expressly acknowledges the State's right to defend itself, if possible within a collective security scheme, and to arm itself for that purpose. But naturally the psychological, often sentimental pacifist feelings have not completely died down. A few of the pastors whom the Labour Party counts among its members are saying aloud that, alas, such a thing as the Atlantic Pact probably cannot be avoided under present circumstances in world politics, but that a real 'peace' policy would have been much more reassuring. . . .

Day-dreams of frustrated pacifists? One can put it at that, to a certain point. But two things ought to be borne in mind if one should be inclined to dismiss this sentimental pacifism lightly.

The first is that, however much the present pacifist or semi-pacifist sentiments are following in the spiritual wake of the disastrous 'national disarmament' of the inter-war years which proved to be such a complete fallacy in view of Hitler's power politics, a public policy that wants to be realistic in international affairs will have to show the same realism in its approach to a public opinion that is generally willing to follow, but is not yet

quite convinced of the inevitability of, its policy. Pacifism, outspoken and latent, will require a good deal of convincing, and the Government, the political leaders, and particularly the press will have to do a lot of explaining before public opinion, unformulated sentiments included, is quite as homogeneously united behind the Atlantic Pact idea as official statements would lead us to suppose. Public opinion is following slowly—and many of those who had their doubts about Marshall Aid two years ago, but who in the meantime have seen the light, now, in 1949, have not yet accustomed themselves to the idea of Atlantic military co-operation.

In the second place, it is felt, and not exclusively in Socialist circles either, that the policy of joint military defence against aggression, as agreed upon in the Atlantic Pact, may be necessary from the point of view of international power politics, but cannot suffice alone to 'save the West'. The argument, when formulated, is often bound up with some of the 'pacifist' sentiments outlined above. It tends to undermine public confidence in the Atlantic Pact either by saying or indirectly suggesting that it is an 'American affair', characterized by foreign, probably 'capitalistic' intervention in 'our' (European) affairs. If the Atlantic Pact is to be effective this outlook must be replaced by something much more constructive; without some positive effort of their own the European nations can hardly hope to defend themselves against Communist aggression, now that internal disruptive forces are on the watch—and will continue to be so—for further social misery to turn the people's minds against the existing governments and to intensify the attack from within. In France and Italy the tide began to turn some time ago, but nobody would dare to say the danger is entirely a thing of the past. And in Holland, though here the Communist danger is less than in those countries, the Communists are working hard on the Trade Unions and working classes and on the intellectuals. Even in Parliament they occupy 7 per cent of the seats. A new wave of unemployment could easily upset the applecart of the democratic politicians.

The Marshall Plan has, of course, done much to turn the slowly disintegrating economic system of Western Europe to a new, not yet quite sound, but certainly promising prosperity. It has restored public confidence a good deal. But the nations of Western Europe have still shown insufficient initiative of their own in the matter of positive 'welfare' policy. And however misguided much criticism of the Atlantic Pact may be, the fact is not to be denied that more action will have to follow, if the West is to be 'safe for democracy'—and if the peoples of the Western nations are to *feel* safe too. This applies to social and economic conditions. It applies

even to the narrower field of military co-operation, if we may return for a moment to the concrete problems the Atlantic Pact puts before us.

Looked at realistically, the Pact only makes sense if a defence of Western Europe at some distance before the Pyrenees is worked out. Obviously this cannot be done without further military equipment and organization of the 'Atlantic Community', and this will take some time, perhaps some years. Although there is not the slightest evidence to support the Communists' claim that the Atlantic Pact is both a menace to Soviet Russia and a menace to world peace, and although nobody is more eager for peace than the Western Powers, the reputed 'American imperialists' included, the elaboration of the Western Union 'pre-pact' into a full-dress Atlantic Pact, including some neighbours of the Russian zone of influence, might create a 'danger zone' for a time, as long as the warning to Russia cannot be completely brought home through armed strength. That is the risk, sometimes exaggerated but certainly not inconsiderable; that is the grain of truth in the propaganda-slogan of a 'war menace'.

How great is this danger? That is not only a question of the military strength of Western Europe, backed by Canadian and United States power, but also of the fundamental aims of the Kremlin. About the last point it is difficult to predict with any degree of accuracy.

But it is probable that Stalin and his fellow leaders are firmly convinced that ultimately a conflict with the 'capitalist' West is inevitable. Anybody who might still have doubts on this point may have been convinced by the impressive documentation with which 'Historicus' supported this thesis in the January 1949 issue of *Foreign Affairs*. Granted that argument, the Russians have to choose the right moment, and it is always possible they will prefer the present 'danger zone' period to a later phase in which the industrial and military strength of the West might outdistance them to a far greater extent.

This is of course merely a possibility, but there are two further symptoms that point in the same direction. There is some evidence to suggest that the Communist parties in Western Europe are concentrating on underground activities rather than on the popular propaganda that was their favourite pastime until a short while ago. The statements by Comrades Thorez, Togliatti, *e tutti quanti* were probably obligatory repudiations of 'Titoism', in the first place intended for Moscow's consumption, but at the same time they showed to what extent the innocent-looking propaganda line has been left.

And, secondly, the recently re-organized Kremlin leaders have

Tito to reckon with. The maintenance of his present independent position is extremely dangerous to Moscow, as other satellite States might be encouraged to adopt a similar position. Obviously the Kremlin will have to do something about it. But this argument can work both ways. Either Moscow will go to any length to put the Tito 'rebellion' down, will even resort to arms if necessary—or 'Titoism' in Yugoslavia, Bulgaria, and possibly other countries behind the Iron Curtain will contribute to safeguard the West against aggression.

All in all, there is every reason to be thankful for the Atlantic Pact—a colossal step forward towards the integration and effective defence of the Atlantic group of nations. But it would be short-sighted to suppose that all risk of war is eliminated by the Pact Something more will be necessary. The nations of Western Europe will have to increase their own military strength considerably. At the same time they realize nothing much can be done without assistance from the other side of the Atlantic. They are the more anxious to get this assistance as they are in the best position to understand what the dangers of aggression are.

J. B

WESTERN GERMANY AFTER CURRENCY REFORM

THE post-war economic development of Germany really came into being as from 20 June 1948, when currency reform and a new economic policy were simultaneously introduced. Until then, the reconstruction of the German economy, which had been shattered by the war and, above all, more or less paralysed by the zonal partitioning, had made but slow progress, so that only a few sections of the country's economy had a chance to recover. From the middle of 1948, however, an upward tendency became increasingly obvious, and it seemed that real recovery had begun. Up to that date, the strict allocation of almost every type of goods caused a situation where the owner of goods was in a stronger position than the owner of money, who had available to him only a minimum of real purchasing power. For this reason the worker demanded his wages in the form of goods. In the

German mining industry this had reached such an extreme that the miner was supplied with nearly all the most important food and household goods in addition to his wages, in order to keep him at work. It became a common practice in the textile and other industries to supply the worker with part of his nominal wage in goods at pre-war prices, expressly to enable him to exchange those goods which he did not require.

This policy resulted in a radical change in the structure of real income. A high percentage of workers received at least 10-20 per cent or more of their incomes in goods, i.e. in real wages. The industrialist and agriculturalist found themselves in a very strong position in the market, as they could both nearly always use their goods as a direct or indirect means of exchange, whilst the workers, employees, public officials, owners of capital, and last but not least the 14 million refugees from the East found themselves in a difficult position, especially as they were entirely dependent on the rations allocated to them. The average employer had no incentive to expand his production above a certain level, the average worker produced in a given period less than half of his pre-war production. Consequently the national product could only rise slowly, apart from those sections, such as coal-mining, the artificial silk industry, and some branches of agriculture, which worked on a barter basis as regards materials and could therefore make their own barter terms of trade.

In this situation the long-awaited currency reform meant the first step towards recovery. Had it not been allied to the lifting of controls in most sections of the economy, the currency reform would have been ineffective. Only when given the chance to earn on a piecework basis, and thus be able to buy additional goods in accordance with his own choice, did the worker feel an incentive to produce more, and this in turn resulted in the owner of capital regaining a position in the market, and in the creation of a productive apparatus which was regulated by consumer demand. It is most probable that without this change in economic policy currency reform would not have produced the effect it did.

Currency reform was introduced in Western Germany by Military Government Law No. 61. It was a paper currency, linked with foreign currencies only by the dollar exchange rate of thirty cents to the D-mark. The new volume of money entered the economy in three forms: firstly through the so-called 'Erstausstattung', the first issue of bank notes to the public; secondly through the conversion of Reichsmark bank deposits into D-mark deposits; and thirdly through the issue of credit as a means of financing future increased production. The noteworthy point about the German currency reform was that on the first day every

German, irrespective of age, was issued with forty D-mark per head, and later with a further twenty D-mark, so that in July 1948 the population had at its disposal buying power amounting to 1.9 milliard D-mark. Correspondingly, the Länder and Gemeinden received at the same time 2·3 milliard D-mark, while the three Military Governments received in all 0.8 milliard, the railways and postal authorities 0.3 milliard, and employers 0.3 milliard D-mark as a first working capital. The new influx of money did not enter the economy through production channels, by the payment of wages and salaries in the new money from the first day onwards, but through the public as consumers, who could immediately spend on the market without regard to when they were paid.

The second noteworthy point about the currency reform was that it was done in stages Consequently, the first issue, amounting to 5½ milliard D-mark in July, rose to 6·7 milliard by September 1948, and has remained more or less at that level up to the present The conversion of assets held in the old currency was accomplished at the same time. Of these, 3·1 milliard D-mark were converted during July, and by February 1949 this figure had risen to 5 8 milliard D-mark, which leaves at present about 8 per cent of the original amount still to be converted. The third means of creating a new volume of money was also applied in stages. In July 1948 1·4 milliard D-mark had been made available by the issue of credit, while by the end of February 1949 this amount had risen to 5·5 milliard D-mark, thus greatly expanding the volume of credit. From this alone it can be seen that the total volume of freely available money and credit has been almost doubled since the currency reform came into force. Of about 18 milliard D-mark, about one third was in bank notes whilst the balance was in bank deposits. This volume of credit is however lower in relation to the total national income than the pre-war figure.

This method of introducing the new money by stages was the reason why the whole economic system was able to adjust itself only gradually to the new circumstances. One is therefore justified in dividing the period after currency reform into two phases, the first up to November–December 1948, when the volume of money had risen to between sixteen and seventeen milliard D-mark, and after that when the volume rose only to eighteen milliard and a process of consolidation was beginning. This division is also justified by the development of price levels, which rose until October-November because the volume of money was increasing more quickly than the volume of production, and which have since remained at more or less the same level. The end of 1948 marks the beginning of the second phase, in which all those processes of

adjustment took place which actually should have happened immediately after the collapse, but which were long postponed by the unfortunate currency and economic conditions.

The rise in prices during the first phase after currency reform had a double effect. First of all it resulted in inflated profits, as no proportionate rise in costs took place; on the contrary, the latter showed a relative decrease with the growing exploitation of industrial capacity. On the other hand it was bound to lead to a lowering in real income, which resulted in a slow rise in wages, whereby those workers with fixed incomes were placed in a worse position than all other income groups. The rise in prices itself presented a very varied picture. For through the nature of the currency reform, as the consumer was the first to acquire the new buying power, and as through all the war and post-war years there had been no opportunity to make good the losses caused directly or indirectly by the war, the entire new buying power was thrown on the market. This resulted at first in the consumer being prepared to pay any price. The sellers of consumer goods took advantage of this chance, and were able to dispose of stocks hoarded before the currency reform and left-overs from war-time at relatively high prices. Of these profits the largest share went to the retailers, some wholesalers, and some small and medium manufacturers, while the basic and heavy industries were only later caught up in the wave of buying power, and received no share in the profits because of the price structure in the coal and iron industries. As the surplus profits in the small and medium concerns were not fully taxed, within a short time a particular circle of demand was formed within which these relatively small groups very soon developed a separate standard of consumption. This demand led to the production of high-class consumer goods which are at present astonishing a large number of foreign visitors, but which are accessible to only a small section of German consumers because of the high price level. The same is true of the amenities offered by many hotels, and of the leather, textile, and other trades dealing in articles for personal use.

As long as this income was not used up it formed a most important source for the self-financing of enterprises. It was economically the more important as the means for building up credits could only be developed again slowly. Without this source of self-finance the rise in production would probably have been much slower. In addition, that capital industries have also gained by it is shown by the fact that traders and producers have built up their destroyed houses and works with these profits, and moreover have increased the demand for machinery and other capital equipment. This process can thus far be judged only as advan-

tageous, but it should not be overestimated. For almost all the entire coal, iron, and other basic industries were excluded from it. Apart from that, the extent to which goods were hoarded varied. This process was discontinued at the turn of the year after the additional buying power had slowly included the basic industries also, so that there was now a more even distribution of money and the incentive to increase prices of consumer goods was lost.

On the other hand this rise in prices at the end of 1948 led to a decrease in the real income of employees, which made impossible the building up of real savings It was not accidental that there was an over-depositing in Post Office savings and banks as from November onwards, which had risen by the spring of 1949 to about 100 million D-mark per month. The basic foundation was thus slowly laid for the process of self-financing of enterprises—which was on the whole undesirable—to be taken over instead by funds from the private capital market. At first only deposits were involved, for the stability of price levels offered favourable circumstances for increased saving. On the other hand real income was still so low on the average that the net increase in saving could only remain slight. For the real national income per head in the spring of 1949 was only 70 per cent of that of 1936, or 57 per cent of that of 1938. As a low national income means a low level of saving, it is understandable that, especially since the beginning of the consolidation period, there has been a great demand for credit for investment which can still by no means be met by private capital. Presuming that at the time of the worst crisis in Germany in 1932 the level of investment was only 9·4 per cent, in comparison with 18·4 per cent in 1928, and assuming that at present, on account of the increase in consumer demand caused by war losses, investment is not even at this level, but perhaps can be reckoned only at 5 per cent, then in a national income of at present 52 milliard D-mark the amount of investment is 2·5 milliard D-mark. Consequently the increase in net saving deposits should at least be doubled in the first quarter of 1949. That only shows that the main problem of Germany's economy in the spring of 1949 is the financing of investment by means of credit.

The situation was made worse by excessive taxation of both households and enterprises. While normally, during a phase of stagnation, the rate of taxation decreases in order to encourage investment, the high rate has been retained up to the present in Germany, resulting in a corresponding decrease in real income and in the inclination to invest. Taking together all types of taxation, there was little incentive for most enterprises to expand production and to make bigger profits, for above a certain limit one had to pay more in taxes than one earned. This policy is the more question-

able in that, with the high turnover, taxes collected have exceeded the expenditure necessary at present, so that considerable liquid assets remain idle in public hands. There is therefore a danger that, in view of the need for investment, these funds will either be directed into misguided investments, or at least in the long term will not be so rationally used as could have been expected had they been invested by the enterprises themselves. The situation is aggravated by the adjustment of the German investment programme to the so-called long-term programme, which has imposed many restrictions on the German economy. It is a convincing argument that, in view of the much greater poverty of capital in Germany than in any other West European country, only the smallest allocation of credit would need to be given to it in order to raise the average productivity of the production machine.

From the development of money, credit, and prices since currency reform described above, conclusions can be drawn as to the probable development of production. For the rise in prices and profits since currency reform has given production a big impetus, so that the proportionate increase in industrial production, discounting possible statistical deficiencies, is understandable. If one disregards coal-mining and several other branches of industry, the trend of German industry came to a turning-point with the currency reform, and up to now it has been impossible to anticipate how long this rise will last. The fact that from February to April 1949 the level of production per working day remained 85 per cent of that of 1936 does not necessarily mean that the rise will not slowly continue. It must also be taken into account that in the first twenty-seven working days of March, 90 per cent of the 1936 production had already been reached. The artificial silk industry, the electro-technical, mechanical, optical, automobile, and non-ferrous metal industries, and machine construction are especially affected by this recovery. The picture is thus very many-sided, just as the development of prices also shows a wide variation. This is only a sign that industry is in the process of a realignment made necessary by the separation of the German markets in the Eastern and Western Zones, which has meant that the Western Zone market must be supplied by other areas. This adjustment to new circumstances has also become necessary because of the changed structure of the world market to which the German export industry is forced to adapt itself.

This very varied picture of the development of German production since currency reform should at the same time be viewed from a structural angle. For with the increasing consolidation of the German economy, it is becoming more and more apparent which industries have a chance of long-term development and

which must remain relatively static. Thus the rapid headway made by the artificial silk industry (which is already working at 125 per cent of the 1936 level) is enlightening if one compares it with the relative decline of the old textile industries, both in Germany and in other countries. The textile industry, apart from the artificial silk industry, is at present working at 25 per cent less than pre-war capacity. From the consumption point of view the picture is as follows: before the war the consumption per head of the population of textile raw materials in Germany was 8 kg. for clothing and 7 kg. for other types of textiles, making a total of 15 kg. In 1949 the anticipated figure is 3 kg. for clothing and 7 kg. for other textile goods, making a total of 10 kg. Accordingly this year the peace-time need for textile raw materials for household linen etc will probably be satisfied, so that it is possible that no chance of further development will exist. On the other hand additional raw materials will probably still be required in the next few years for the clothing industry, before peace-time standards are reached This example shows where the limits of saturation of the market lie, so that an expansion of production can take place only in proportion to a rise in the population.

The same structure can be seen in the electric power industry, which is experiencing a sharp upswing in all countries and thus by April 1949 had a capacity of somewhat over 50 per cent of the pre-war level, while the gas industry has everywhere tended to lag behind, and thus in Germany has reached only 80 per cent of the pre-war level. The fact that coal-mining finally lagged behind at a level 10 per cent below the pre-war figure, in spite of all the assistance given in this field, can only be explained by the special structural and foreign exchange conditions in this branch of industry. As a comparison it should be pointed out that even in Great Britain at the beginning of 1949 about 10 per cent less coal was raised than in 1937. Both countries are faced with the same problems, based to a considerable extent on low working productivity, which will later be examined in more detail.

But first there are several points to be made in judging the post-currency-reform development of production, as the rapid rise in German production has already made itself felt in foreign countries. In considering this development, it must be realized that even a level of production of 85 per cent (1936=100) is extremely low in comparison with the level inherent in the real pre-war trend of development. For if the original trend of development in German industrial production in the period between the two wars had been continued, then 1949 production levels would be some 40 per cent above 1936 levels. Instead of this, German industrial production is still far below pre-war level. This hypothetical com-

parison with a normal peace-time development may be considered inadmissible. Nevertheless it shows this much: that Germany will still need years merely to reconstruct her own industrial apparatus, let alone to return to the pre-war rate of expansion. A comparison shows how far Germany lags behind in world industry. The industrial production of the U.S.A. and Canada is 70 per cent higher than the pre-war level, that of Sweden 50 per cent higher, and that of Denmark, Norway, and the Netherlands 25 per cent higher. Germany's share of world production must therefore have dropped considerably, even if the present partial recovery is reckoned with. In this respect the welcome upward trend since the currency reform should by no means be overestimated in its wider implications.

The limits of development possibilities are shown by the low standard of labour productivity which has already been mentioned. By the spring of 1949, taking the average of all industries, this had reached only 70 per cent of the 1936 level, while in the U.S.A. it was far above 100 per cent. Production per man hour in the mining industry was only 62 per cent of the pre-war figure, for in 1936 2·20 tons were raised per shift, whereas at present the figure is only 1·37 tons. In the iron and steel industries the average output per head is even lower, and amounts to not more than 45 per cent of the pre-war figure, while in the textile industry it is about 90 per cent. This fact makes for increased costs and low real income, which can only be raised in conjunction with a rise in labour productivity. The consolidation process which began in the second phase stimulated such improvements in labour productivity, but it was nevertheless noticeable that there was a further development in the great shortage of long-term credits, and in particular that private capital was still very shy. The fact that daily production remained constant from February to April 1949, and that the rapid upward trend thus seemed to be ended, is the best indication of how necessary an improved supply of capital is in order to raise the average of productivity. It is certainly justifiable to make accessible in the form of credits to the German economy the proceeds of the counterpart funds and liquid assets in public hands, in the hope that an increase in production will be accompanied by increased productivity, so that eventually real income may be allowed to rise.

An increase in the national income in general and individually is all the more necessary as the German economy is burdened with heavy mortgages. For every wage-earner today there are 2·55 consumers, i.e. 22 per cent more than ten years ago. In addition there are about 9 million State pensioners, recipients of public assistance, war-injured, and survivors of war casualties, who constitute a

fifth of the total population and are a drain on revenue. With the stabilization of prices since the turn of the year this burden will be the more felt in that the actual wage-earner will be subject to excessive taxation and will therefore lose all inclination and capacity for saving. Apart from this, expenditure for the upkeep of Military Government amounts to about 8 per cent of the German national income, which is comparable to a similar burden in 1936 caused by the expenditure on armaments, but with this difference, that at that time the level of production was higher. If one looks at the present level of saving referred to above, the 8 per cent liability on the national income as well as the heavy burden of social services must be considered as a factor which will make a rise in real income extraordinarily difficult.

It is a sign of the critical position of the German economy in early 1949 that genuine unemployment is making itself apparent for the first time. The official estimate of 1·2 million unemployed should not be considered as genuine unemployment as it includes to a large extent unemployed in the main refugee areas, employees, unskilled labourers of all kinds, and genuine unemployed laid off through the rationalization of industry. At the same time the demand for qualified skilled workers such as moulders, turners, spinners, etc. has still not been satisfied everywhere. On the other hand, even half the present unemployment would suffice to serve as a warning that production must rise further if the number of unemployed is not to increase. There is difficulty in mastering the situation, since a redistribution of labour between the various areas and branches of industry is certainly necessary as the whole economic structure was distorted by the war. This redistribution has been hampered until now by the lack of housing. To continue to conceal this situation can only be disadvantageous in the long run. It should also be reckoned with that the labour requirements of the export industry cannot yet be estimated, but the possibilities of their development are especially important.

The question of foreign trade has now become of much greater importance to Germany as regards foreign exchange than it was in pre-war days. Because of the loss of the eastern territories, Germany must import a much greater amount of agricultural products and raw materials, and therefore the level of exports must rise correspondingly. Since currency reform the export of industrial products has increased so greatly—thanks to the special efforts made in this field—that the import of industrial raw materials and semi-finished goods has been at least balanced, and in certain cases more than compensated for. Imports of agricultural products, on the other hand, are almost entirely unbalanced by exports. A decrease of agricultural imports is impossible, however, as today

only twenty-six hectares of agricultural land is available per head of the population, as compared with forty-one hectares in 1936. For that reason the export of industrial finished goods must be increased considerably in order to even approach a balance of trade. Whether this aim will have been achieved by the time Marshall Aid comes to an end seems more than questionable in view of the obstructions in the way of German export trade, the low level of production and the consequently higher production costs.

Reckoned by volume, i.e. if price changes are not taken into account, German exports averaged in 1948 only 25 per cent of their 1936 level. Since then they have risen, and by April 1949 had reached about 40 per cent of the pre-war figure. This shows clearly to what extent exports have lagged behind in proportion to the expansion of production. This restricted development gains significance if it is taken into account that exports must rise far above the 1936 level in order to pay for the necessarily greater imports of agricultural products. The following consideration can serve as a basis for studying the wider implications. In 1948 German exports of industrial products amounted to 24 per cent of the 1936 figure. A fourfold increase would therefore be necessary to reach the pre-war level. On the other hand, in view of the greater imports of foodstuffs, a six-eight-fold increase would be necessary to achieve an equalization of the total balance of payments. A comparison with Great Britain shows what measures must be taken. For whereas German exports at the end of 1948 represented only a third of the volume of pre-war exports, the volume of British exports was one-third greater than before the war. These considerations obviously have a bearing on European interests as a whole, since it is not desirable that Germany should remain a debtor to such an extent for any length of time. Therefore, the remedy can only be found by following consistently the course already begun by the currency reform and the modification of economic policy, i.e. to adapt the German economy to the new conditions prevailing by removing all the obstacles preventing adjustment in quality and price to the present-day conditions in the world market, and by increasing production and introducing a system of basic rationalization in the export industry in particular. This method is at any rate preferable to that suggested by many export firms, who see a convenient solution in the unilateral reduction of the rate of exchange from thirty to twenty cents. On the other hand, if the present rate of exchange is maintained and costs are substantially reduced inside Germany, it will be more to the advantage of foreign buyers in the long run, bearing out the classical theory that it is always in a country's own interests to

contribute towards increasing the real purchasing power of other countries. As David Hume put it two hundred years ago: 'Not only as a man but as a British subject I pray for the flourishing commerce of Germany, Spain, Italy, and even France itself.'

W. H.

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NOTES OF THE MONTH

The Canadian Seamen's Dispute

THE background of the docks dispute in Britain is a curious one. The affair started not as a trade dispute, but as what would be described here as a demarcation dispute between two organizations in Canada. But certain negotiations which preceded it gave the affair the semblance of an industrial issue.

As far back as March the Canadian Seamen's Union which appealed to dockers and other workers in Britain for action in solidarity was negotiating with the Canadian shipping employers, but broke off negotiations arbitrarily on 25–26 March, the day before Union representatives were due to meet the employers, without giving any reason. On 31 March the strike was proclaimed, allegedly for a 15 per cent wage increase and job security. A recent arbitration award had maintained the level of wages, but had restricted to some extent the practice of 'feather bedding', and had reduced the pay of a few higher-paid men (estimated to be less than 1 per cent of all Canadian seamen) in the big ships by some $3-$4 a month. The factor that is incomprehensible in the C.S.U.'s handling of the issue is that they had just signed an agreement for the Pacific coast on terms almost identical with those which they declined to sign for the Atlantic coast.

When the Canadian Seamen's Union broke off negotiations with the employers, the latter turned to the Seafarers' International Union, which agreed to sign the terms and to supply the seamen to man the ships. The majority of the seamen concerned have now severed their connection with the C.S.U. and have joined the S.I.U.

In Britain, as will be remembered, the dispute originated in May, at Avonmouth, and was followed by a series of strikes at Bristol, Liverpool, and finally in London. The strikes were organized by Communists, and a general headquarters in Britain printed a large variety of propaganda and poster material, with men parading the

dock areas, declaring the Canadian ships in British ports to be 'black' (i.e., involved in a trade union dispute), and calling on the dockers not to work them.

The dockers, true to a long tradition of sympathetic action in support of other trade unionists in dispute with their employers, were prey to this skilful campaign prepared long in advance, and which they accepted in good faith. The British unions to which they belonged, the Transport and General Workers' Union and the National Amalgamated Stevedores and Dockers, did not endorse their strike action. But the dockers, seeing the ships idle, believed the evidence of their own eyes. The voice of the majority of the crews of the Canadian ships who were satisfied with the settlement, and who did not accept the view that the shipowners had broken the agreement, was drowned by the vocal, organized minority of Communist opportunists in the crews.

Some of the work was very skilful. The Communist agents, seeing the danger of the label that the dispute was one over demarcation, played on the sympathy for the 'little chap' by making it a fight of a 'Canadian' union against an 'American' giant, which was a distortion of the truth. It was presented as part of a fight in the Canadian trade union movement against a reactionary American trade union. It was only by this kind of misstatement that the facts could be avoided. In fact, the C.S.U. was affiliated with the S.I.U. until 1945, when it broke away under Communist influence after declining to accept majority decisions. The C.S.U., far from being the champion of Canadian trade unionism, has been expelled by the Canadian Trades and Labor Congress (a national centre in Canada corresponding with the T.U.C).

The International Transportworkers' Federation, which is in the best position to secure information on the dispute, considered the matter from the standpoint of its affiliated deep sea and docks organization. Its General Council, meeting in Antwerp on 13 and 14 May 1949, unanimously approved the decisions of its Management and Seafarers' Sectional Committee to withhold support from the Canadian Seamen's Union strike. It said two significant things:

> Had the members of the Canadian Seamen's Union been properly and honestly informed about the matters at issue, and about the negotiations and conciliation carried on on their behalf, they would not have responded to the strike call. Whereas in Canada, where the true facts are known, the manning and loading of ships is not interrupted, emissaries of the C.S.U. and others are trying, by misrepresenting the facts, to incite dockers and seafarers to support the strike in foreign ports.

Concluding that the conflict was not an industrial issue but

part of a political campaign, the I.T.F. urged affiliated unions not to be drawn into it and endanger the economy of European countries against which it was directed.

Thus a strike discredited in Canada came to be exported to Britain.

Breakdown of the Four-Power Agreement on Berlin

Despite the announcement on 5 May of the agreement reached at New York between the Western Powers and the U.S.S.R. to lift restrictions on traffic and trade between the Eastern and Western Zones of Germany, and the affirmation of this agreement in the communiqué issued at the end of the Council of Foreign Ministers' meeting in Paris, there is still no unhindered flow of traffic or trade across the zonal border.

The New York agreement, it will be remembered, provided for the removal by the U.S.S.R. and the Western Powers of all restrictions imposed since 1 March 1948 on communications, transport, and trade within Germany. On 12 May the first lorries and trains set out from the West for Berlin, and by the 14th discussions on the resumption of trade had been reopened. The talks continued during the session of the Council of Foreign Ministers, but by 15 June only separate reports on the failure to reach agreement in Berlin could be sent to them, the Western Powers having refused to make more specific promises on trade facilities than the Russians were willing to make on transport.

These inconclusive negotiations were accompanied by an irregular flow of road traffic through the Russian check-points, by a hold up of rail traffic—aggravated by the strike of Berlin railway workers—and by a further warning of Soviet exercises in the path of the air-lift.

The Russians had therefore not obtained the guaranteed flow of goods which they desired, nor had the flow of traffic reached the level at which the West aimed, when the Council of Foreign Ministers came to its last meetings. The final communiqué, issued on 21 June, reaffirmed the New York agreement, which had not yet been successfully operated, and recommended further Four-Power consultation on trade and transport problems in Germany.

Negotiations began afresh when the Deputy Military Governors met in Berlin on 28 June to discuss consultative machinery, and they have been continued in the meeting of the Berlin commandants and the discussions between technical experts. Complementary talks on inter-zonal trade were reopened in Berlin between Germans from the East and West on 7 July, but were interrupted a week later. During this second series of negotiations, traffic conditions have been no more satisfactory from the Western view-

point than during the previous series. Although rail traffic was resumed at the end of June, after the Berlin railwaymen had gone back to work, road traffic was seriously disrupted on 10 July when the Russians closed to Berlin-bound traffic all the zonal crossing-points except Helmstedt-Marienborn. At this point Allied traffic remained unaffected, but lorries carrying goods for Berlin were delayed, ostensibly for thorough checks, and at one time a queue eleven miles long was formed. By 14 July this 'little blockade' was lifted at Marienborn, but not at the other road crossing-points.

It is clear that the Russians strongly desire to resume trade with the West, but they are reluctant to open their zone too widely to Western influence or currency, or to lay aside their blockade weapon. On the other hand the Western Powers refuse to permit trade with the East until they have a written agreement on access to Berlin which would prevent the imposition of another blockade by the same methods as were used in 1948. The free flow of traffic, which the New York agreement sought to establish simultaneously with a flow of trade as a preliminary basis of negotiation, has been used by the U.S.S.R. as a bargaining counter. The successful conclusion and observance of a new agreement for a *modus vivendi* in Germany as a whole, and in Berlin in particular, will depend on the abandonment of this technique.

The Belgian Parliamentary Elections

The Belgian elections, held on 26 June, showed a definite swing towards the Right, with Christian Social and Liberal gains and heavy Communist losses. But though the Christian Social Party achieved an absolute majority in the Senate, it failed by two seats to do so in the Chamber. Hence the subsequent difficulties in forming a coalition Government.

Those difficulties have centred chiefly round the issue of King Leopold's return. During the electoral campaign much of the propaganda of all parties was directed towards this issue. It may therefore be worth recalling that the immediate reasons for the breakdown of the previous Christian Social-Socialist coalition were economic ones, and concerned differences between the two parties on the taxation of industrial profits and on economic planning. Though these issues may have been temporarily obscured during the fever of the electoral campaign by the more spectacular one of the King's return, they nevertheless obviously remain fundamental. At least some sections of the Christian Social Party—for example, those with trade union affiliations—would probably deprecate the economic consequences of a governmental set-up whereby the Socialists were placed in the Opposi-

tion. Thus economic considerations cut across existing party alignments on the issue of King Leopold.

The following table shows the present division of seats in the Chamber, as compared with the results of the 1946 election:

	1946	1949
Christian Social Party	92	105
Socialists	69	65
Liberals	17	30
Communists	28	12

This is the first time that women have voted in Belgium, and the Christian Social gains are no doubt due to some extent to this factor (2,705,182 men and 2,930,270 women had the right to vote, and about 90 per cent voted). These gains were especially noticeable not only in the Flemish provinces, as had been expected, but also in Wallonia—even in Liége—where they were quite unexpected. On the issue of the monarchy, the Christian Social Party is solidly in favour of the King's return, even if he were then to abdicate in favour of Prince Baudouin. The Liberals are about evenly divided, half being in favour of King Leopold's return and wanting a referendum on this question, while the other half are against his return and reject the idea of a referendum. The Socialist Party oppose both return and referendum, and say that the King should abdicate; although some of the rank and file would be willing to put the matter to the vote, especially in Flanders. Here the King might find a few supporters even among the Socialists. The striking Liberal successes, which suggest a return to the pre-1946 position, probably derived less from the Party's rather ill-defined attitude towards the monarchical issue than from the fact that the Liberals gained the vote of all the 'mécontents' in Brussels and elsewhere.

At the time of writing a new Cabinet had not yet been formed. M. Van Zeeland's attempts to form a coalition with the Socialists and Liberals having proved unsuccessful, other Catholic leaders, MM. van Cauwelaert and Eyskens, were asked to investigate the situation. Twenty-three Senators have also still to be co-opted, before the final composition of the Senate is decided. This is an important factor, as the final vote on all matters lies with the Senate. It seems unlikely, however, that the Christian Social Party will lose its absolute majority there.

Municipal Elections in Holland

The results of the municipal elections held in Holland during June showed little change in the position of the two largest parties in the country, the Catholic People's Party and the Labour Party, but confirmed the trend of Communist losses and Liberal gains

which was already observable in the general election of July 1948.

In Holland the communes in which these municipal elections take place possess at present only a small degree of local autonomy—they are, for example, no longer responsible for local housing problems, as was the case before the war. Consequently special local factors are liable to play a bigger part in the municipal than in the general elections, and, conversely, party alignments have somewhat less weight than in the parliamentary elections. For this reason the first post-war elections, of May 1946, which were both parliamentary and municipal, afford a more valid standard of comparison than the general election of last year. But all these post-war election results show a steady trend of Communist losses and Liberal and Calvinist gains. As the three Calvinist parties are Conservative, and the Liberals in Holland are also well to the right of centre, the general indication is one of gains for the parties of the Right. In each of the main towns of Rotterdam, the Hague, and Amsterdam the Liberals increased the number of their seats, and in Rotterdam and the Hague the Communists sustained considerable losses. Only in their chief stronghold, Amsterdam, did they to some extent maintain their position, though even there the heavy Communist poll of a quarter of the total votes showed a reduction, and the Labour Party is now the strongest in Amsterdam. This party in general maintained its position through gains from the Communists, which made up for Labour's losses to the Liberals.

In order to view these latest Dutch municipal elections in some perspective, it may be of interest to recall the general political picture in Holland since the war. The representative body governing the people of the Netherlands is the States General, consisting of the Second Chamber of Parliament, with 100 seats, and the First Chamber (or Senate), with 50 seats. The following table shows the present strength of the various parties in the Second Chamber, by comparison with the pre-war situation:

	1937	*May* 1946	*July* 1948
Catholic People's Party	31	32	32
Catholic National Party (Mr Welter)	—	—	1
Labour Party	23 }		
Christian Democratic Union ..	2 }	29	27
Progressive Democrats	6 }		
People's Party for Freedom and Democracy (= Liberals)	4	6	8
Christian Historical Union (Protestant)	8	8	9
Anti-Revolutionary Party (Calvinist)	17	13	13
State Reformed Party (Calvinist) ..	2	2	2
National Socialist Movement ..	4 (in 1935:8)	—	—
Communist Party	3	10	8

The Catholic People's Party is very large and includes strong wings on both Right and Left, as well as the main block in the Centre, for nearly all the Roman Catholics in the country vote Catholic. It is today far less conservative than in pre-war years. Between the two World Wars the Catholics frequently formed a coalition with the two 'parties with the Bible', the Anti-Revolutionary Party and the Christian Historical Union (the small group of State Reformists was more rigid and remained outside). Of these coalition Governments, the four under Dr Colijn are the best known. Since the Liberation, however, there has been a Labour-Catholic coalition Government. The present Labour Party is somewhat different in character from its predecessor, the Social Democratic Party, as the latter had the support of Christian and Progressive Democrats and a few Catholics and Christian Historicals who, generally speaking, reverted to the folds of their original parties in the 1948 election. That election showed a slight loss for Labour and an increase for the Progressive Liberals. The new (Liberal) People's Party for Freedom and Democracy, led by the Foreign Minister, Dr Stikker, and Rotterdam's Mayor, Dr Oud—a former Progressive Democrat who joined the Labour ranks immediately after the Liberation—is not socialistic. It has gained considerable support owing to Labour's mistakes.

These factors explain why the Catholic Party last year rejected a continuation of a two-Party Ministry in coalition with Labour. Moreover, the revision of the Constitution, which had to be undertaken last year in order to provide for the union of the Netherlands and the United States of Indonesia under the Crown, required a two-thirds majority vote in Parliament, and this rendered necessary the support of either the Liberals or Christian Historians. In the event, both these parties joined the Government formed after last year's election, which was presided over by Dr Drees (Labour), but formed by the Catholic President of the Chamber, Dr van Schaik.

THE EUROPEAN PAYMENTS SCHEME: NEW VERSION

THE European Payments Scheme set up as part of the Marshall Plan is one of the most complicated and least comprehensible parts of the vast structure through which American aid has been canalized to serve the needs of the recipient countries in Western Europe. To understand the workings of this piece of machinery, and in particular to appreciate the wider issues which were involved in the recent amendment of the Payments Scheme, we must go back to the early months of the Marshall Plan in 1948.

It will be recalled that Europe's demands for dollar assistance from the United States had been calculated, by the countries which responded to Mr Marshall's offer, on their prospective deficits with the Western Hemisphere, that is, on the deficits that would have to be met directly in dollars. That was the basis on which the participating countries made their request for aid from the United States, and it was also the basis on which the Organization for European Economic Co-operation in its turn divided the $4,756 million of dollar aid which was made available for the period July 1948 to June 1949.

It was not long, however, before the more obvious defects of this restriction of Marshall aid to the task of meeting Europe's deficit with the dollar world became apparent. It was soon realized that the devastation of war and the unevenness of its impact and of the rate of recovery among belligerent countries had resulted in almost as great a disequilibrium in the balance of payments between the European countries themselves as in the global balance of payments between Western Europe and the Western Hemisphere.

For a time this intra-European disequilibrium did not manifest itself with any great urgency. Trade between European countries in the immediate post-war period was, for the most part, settled through bilateral payments arrangements. These provided considerable overdraft facilities extended mutually by the parties to each of these agreements. The agreement between Great Britain and Belgium, for example, provided that each country would hold the other's currency up to a given figure, any excess accumulation over that figure being convertible into gold. This meant that each country was prepared to give the other one a temporary overdraft, and that only if the amount of this overdraft was exceeded would payment in gold be demanded. Most payments agreements negotiated between European countries after the war conformed to this pattern.

During 1946 and 1947 the overdrafts established under these agreements were in fact being utilized, and, in addition, a certain amount of payments in gold began to take place as between European countries. These last operations were possible partly because there were still substantial free gold reserves in Europe at that time, but also because lend-lease termination credits from the United States, the big U.S. and Canadian loans to Britain, and other inter-governmental operations of this kind provided a reasonable flow of dollars and thus protected European gold reserves and made them available for intra-European transactions. By the closing months of 1947, however, these facilities out of which the surpluses and deficits in intra-European trade had been met were beginning to give out. Intra-European trade was slowly contracting.

This development was soon found to be one of the main obstacles to the process of European reconstruction which the Marshall Plan was intended to foster. The basic objective of Marshall aid was to make the countries of Europe independent of abnormal assistance from the United States. As it was working out in the early phases of that programme, the assistance was having an exactly contrary effect. France, for example, was applying for dollar aid from the United States to finance imports of agricultural machinery at a time when supplies of such machinery were available in the United Kingdom but could not be obtained because France's means of making payments to Britain had been temporarily exhausted. One answer to this problem would have been for the United States to sanction a larger volume of off-shore purchases in Europe, i.e., to make Marshall dollars available for one European country to finance its purchases with another. This would have made Marshall dollars available to finance French purchases of Belgian steel, for example, just as they have been provided for British purchases of Canadian wheat. An 'offshore' purchase is a purchase made outside the United States, but with dollars provided under the Marshall Plan. These have normally been restricted to the Western Hemisphere. Although some operations of this kind were in fact sanctioned in Europe, it was decided in the United States that the problem of intra-European trade should not be solved in this manner but that the answer should be found in an intra-European payments scheme devised by the European countries themselves. There was a strong body of opinion in Europe which was similarly opposed to an extension of off-shore purchases in Europe, deeming it undesirable that the dollar should be introduced into European trade in this manner.

Discussions on this problem of intra-European disequilibrium

and of the machinery that would have to be set up to handle it took place in the autumn of 1948 and led to the agreement for Intra-European Payments and Compensation which was signed on 16 October 1948 by the Ministers of sixteen European Governments and representatives of the Bizone and French zones of Germany and of the free territory of Trieste—that is, by the nineteen who form the O.E.E.C.[1]

The negotiation of this agreement became an inherent part of the operation by which the first annual instalment of Marshall aid was distributed among the European countries themselves. On American initiative, and against no little resistance on the part of some of the participants, this task was left to O.E.E.C. The rough apportionment of Marshall dollars in accordance with the deficits of the participating countries with the Western Hemisphere remained intact as a result of this formal distribution. But the distribution became fundamentally affected by the decision of the participating countries to extend to one another contributions in respect of their mutual surpluses and deficits. In this way the Western Hemisphere and the overall payments deficits of the participating countries were dealt with by a combined operation. The countries co-operating in the European Recovery Programme did to one another as the United States were doing to them. They gave away their mutual surpluses as outright grants, the link with the Marshall Plan being preserved by calling part of their direct aid from the United States 'conditional' grants, i.e., conditional on an equivalent amount being passed on to their colleagues in the European Recovery Programme. The global amount of these contributions and drawing rights for each of the participating countries and their effect on the effective aid received by them is shown in the table on page 331.

The drawing rights established by each country for the period 1 July 1948 to 30 June 1949 are shown in the table on page 332.

It should be realized that these drawing rights were established on the basis of estimates made by the representatives of each country in the course of a series of highly complicated bilateral negotiations which took place in the late summer of 1948 in Paris. The principle had then been accepted that the contributions given under the European Payments Scheme would in fact be outright grants and that the drawing rights used by the debtors would be taken as gifts. This in itself was bound to influence the complete objectivity of the estimates. Some countries, impressed by their own difficulties, were intent on diverting as much Marshall aid as possible to themselves by inflating their prospective deficits with

[1] See 'The Problem of Intra-European Payments', in *The World Today*, March 1949.

E.R.P. DOLLAR AID AND INTRA-EUROPEAN PAYMENTS SCHEME
JULY 1948—JUNE 1949

Country	*Total dollar aid*	Intra-European Payments Scheme			*Total dollar and net European aid*
		Drawing rights granted	*Drawing rights received*	*Net receipts (+) under I.E.P.S.*	
	in millions of dollars				
Austria	215	3	67	+ 64	279
Belgium-Luxembourg	248	219	11	−208	40
Denmark	109	5	12	+ 7	116
France	981	10	333	+323	1,304
Germany					
Bizone	411	109	99	− 10	401
French Zone . .	99	15	16	+ 1	100
Greece	145	—	67	+ 67	212
Iceland	5	—	—	—	5
Ireland	78	—	—	—	78
Italy	555	47	27	− 20	535
Netherlands . .	470	11	83	+ 72	541
Norway	83	16	48	+ 32	115
Portugal . . .	—	—	—	—	—
Sweden	47	35	10	− 25	22
Switzerland . .	—	—	—	—	—
Trieste	18	—	—	—	18
Turkey	40	29	17	− 12	28
United Kingdom . .	1,239	320	30	−290	949
Commodity Reserve.	13	—	—	—	13
Totals .	4,756	818	818	± 565	4,756

other E.R.P. countries. The estimates of intra-European balances of payments tended, therefore, to be somewhat vitiated. This fault would have been of little moment if provision had been made either for revision of the drawing rights in the course of the first year of the agreement or else for the possibility of transferring the drawing rights established under the agreement within the group of E.R.P. countries. No such provisions were, however, made in the first version of the intra-European Payments Agreement. The contributions and drawing rights were rigidly fixed for the whole duration of the twelve months in question, and it was provided that the drawing rights could be exercised only in the creditor country which had made the corresponding contribution.

These features of the first version of the intra-European Payments Scheme constituted serious defects. The scheme was essentially bilateral in character. It did nothing to encourage the

COUNTRIES GRANTING DRAWING RIGHTS

Amounts established for year 1 July 1948 to 30 June 1949	*Austria*	*Belgium*	*Denmark*	*France*	*Germany*		*Italy*	*Nether-lands*	*Norway*	*Sweden*	*Turkey*	*United Kingdom*	*Totals*
					Bizone	*Fr. Zone*							
Recipient Countries	in millions of dollars												
Austria	—	4·5	0 1	2·0	32·0	0·5	—	1·0	1 5	—	—	25·0	66·6
Belgium	—	—	—	—	—	—	11·0	—	—	—	—	—	11·0
Denmark	—	6·5	—	2 7	1 0	0 2	—	—	—	—	1 5	—	11·9
France	—	40 0	—	—	63 0	14·0	11 0	—	5·0	—	—	200 0	333·0
Germany													
Bizone	—	17·0	—	—	—	—	10·1	—	8·0	5 0	12·0	46·5	98·6
French Zone	—	4·0	—	—	—	—	2·6	2·0	—	—	1·5	5·5	15·6
Greece	0·4	13·0	2·0	5·0	4·3	0·1	7 0	5·0	2 0	5·0	13 0	10·0	66·8
Italy	2 0	—	—	—	—	—	—	—	—	—	—	25·0	27·0
Netherlands	—	72·5	—	—	8 5	—	—	—	—	2·0	—	—	83·0
Norway	—	23·0	—	—	—	—	0 5	2 5	—	21·8	0 5	—	48·3
Sweden	0·7	6 0	3·0	—	—	—	0 1	—	—	—	—	—	9 8
Turkey	—	2 0	—	—	—	—	5·0	0 8	—	1·0	—	8 0	16·8
United Kingdom	—	30 0	—	—	—	—	—	—	—	—	—	—	30 0
Totals	3 1	218 5	5·1	9 7	108 8	14 8	47 3	11 3	16 5	34 8	28 5	320 0	818 4

freeing and multilateralization of trade in Europe, or the opening up of European economies to the healthy blast of price competition. A debtor country, having been granted drawing rights on a given creditor country, would naturally go out of its way to use those rights up to the hilt, since this was one way of diverting to itself a larger part of Marshall aid than it would otherwise get. In these attempts to exercise drawing rights to the maximum, scant attention was paid in the last resort to matters of competitive prices. It was on these two defects of the scheme, its excessive bilateralism and its disregard for price and cost equilibrium, that the experts of E.R.P. countries and the representative of the U.S. Economic Co-operation Administration in Europe focussed their attention when studying the possible amendments of the scheme prior to its renewal on 30 June 1949.

The principal aim of the reformers was to make the scheme more flexible and at the same time to make it serve the purpose of a lever in re-introducing the element of effective competition in intra-European trade. Many alternative suggestions were propounded within the body of O.E.E.C. experts who had the amendments to this scheme under discussion for some months prior to the renewal date of 30 June 1949. The basic feature of most of these proposals was to make the drawing rights established under the scheme freely transferable within the group of O.E.E.C. countries. The United States experts, speaking for the Economic Co-operation Administration, went one better and suggested that the drawing rights established under the Payments Scheme should also be convertible into dollars. The intention of these proposals was primarily to open up the European economies to the full blast of price competition, not only within Europe itself but from the United States. The convertibility proposal put up on American initiative would have meant, for example, that if France had been allocated drawing rights by Britain, France should be free to convert these into dollars and spend them on American goods. The net effect of that would have been to deprive Britain of the conditional dollars she would have obtained as a counterpart of her contribution to France, and to canalize those dollars directly from the United States to France and thus by-passing Great Britain.

In interpreting this American initiative two possible motives may be detected. The first was to compel European countries to restore cost and price equilibrium with those in North America and thus remove disparities in relative price levels which some United States experts have for some time past regarded as one of the principal obstacles to continued economic recovery in Europe. By laying Europe open in this way to the full force of

U.S. competition, immediate pressure would have been brought to bear on the countries of Europe, whether by devaluation of their exchange rates or by deflation of their cost structures to remove these disequilibria. The other possible explanation of the American move was that it would open up export markets in Europe for hard-pressed American manufactures of consumer goods. The possible interpretations of this move need not be pursued further, since the American suggestions, having met almost unanimous opposition within the group of E.R.P. countries, were formally dropped in the final stage of the discussions that led to the new version of the intra-European Payments Scheme.

This left the ring clear for the fight on the chief remaining issue, that of the transferability of drawing rights within the group of O.E.E.C. countries. The protagonists of the maximum of freedom in intra-European trade were in favour of the maximum of transferability of these rights. The British representatives fought the principle tooth and nail. The British objections were based on considerations of the immediate practical implications of transferability and also on points of principle. Among the former was the possibility that transferability of drawing rights might cost Britain gold at a time when no spare gold was available for adventures of this kind.

This loss of gold might occur in one of two ways. If the Payments Agreement in its new version continues to function along the bilateral lines followed in its first version, and if British contributions to France, for example, are made available in sterling drawing rights to that country, the transfer of part of these drawing rights to a country like Belgium would have the effect of increasing Belgium's holding of sterling beyond the present convertibility point and would thus put Belgium in the position of extracting gold from Britain. If, on the other hand, the conditional aid provided by the United States against contributions granted to one another by European countries were in effect put into a pool to be competed for by the European countries, the transferability of drawing rights from Britain to Belgium, in accordance with the example just cited, would mean a similar loss of dollars to Britain, since the U.S. aid in question would by-pass Britain and go direct to Belgium. The British attitude to transferability of drawing rights has thus been conditioned firstly by the low state and falling tendency of the gold reserve, and secondly by a tacit admission that in present conditions British prices are non-competitive even within the intra-European context, and that free transferability of drawing rights would in fact mean that European countries would transfer their rights on Britain and exercise them elsewhere

The British objection to transferability on grounds of principle

is of somewhat more subtle character. The British case is that such flexibility would further not expansion, but a contraction of European trade. The reasoning leading up to this conclusion is based on the contention that if dollars are to be competed for and obtained as a result of building up surpluses in intra-European trade, the countries in question will secure their objective not only by the desirable means of expanding their exports to one another, but by the far easier and undesirable means of restricting their imports from one another. This point of view was clearly expounded by the Chancellor of the Exchequer in the statement which he made to the House of Commons on 4 July 1949 on the intra-European Payments Scheme. He pointed out that if drawing rights were transferable, the creditor countries in Europe would be compelled to cut down their grants in order to make sure that they were spent on their own goods. Having granted drawing rights, the creditor, he said, would also restrict his purchases from the debtor country so that the latter would be short of the creditor's currency and thus be more certain to use up the whole of the credit granted for purchases from the creditor, leaving no balance to be transferred to some other country. This led the Chancellor to conclude that 'it is obvious that the introduction of any further gold or dollar element into intra-European payments is bound to be restrictive in its effect on trade'.

It is possible to criticize this use of words. It is not the introduction of gold or dollar payments which would be restrictive of European trade, it is the continuing disparity in prices and production in Europe. When there were no such substantial disparities, and when the gold standard was in operation, the introduction of gold as an ultimate means of settling international balances was never deemed to be a restrictive element in international trade. On the contrary, it symbolized the stability of a system of international payments and the confidence in its various component currencies. Thus it provided a real measure of encouragement to the development of international trade and finance.

These British objections, however, found a sympathetic echo in certain E.R.P. quarters, and had in any case to be duly considered if the rule of unanimity in arriving at major decisions within the new O.E.E.C. was to be upheld. The French delegation in these payments talks provided a bridge between the two wings, the one calling for complete transferability and represented by Belgium with American backing, and the other demanding the maximum of rigidity and represented by Great Britain. Monsieur Petsche, the French Finance Minister, suggested a compromise under which only 40 per cent of the drawing rights established under the new version of the scheme would be transferable, while 60 per cent

would be operated in the strictly bilateral manner that had been applied to the whole of the drawing rights in the first version of the scheme. In the subsequent negotiations in Paris this percentage of transferable drawing rights was further whittled down to twenty-five. On this aspect of the problem it was further agreed that conditional aid from the United States should in fact follow the drawing rights. If, for example, 25 per cent of the drawing rights that will be granted to France by Great Britain in the coming year are transferred to Belgium, a corresponding amount of conditional dollar aid will be transferred by the United States from Britain to Belgium. In this way the principle of transferability of drawing rights has been recognized, but its application has been restricted with due regard for its effect on Britain and on the British gold reserve.

The related problem which had to be considered in the Paris negotiations on the revision of the payments scheme was that of Belgium's special position within the group of E.R.P. countries The peculiar, and, it must be added, enviable position of Belgium is that in the twelve months to 30 June 1950 she has in prospect a surplus with her E.R.P. partners which should amount to the equivalent of at least $400 million, or more than twice her prospective deficit of $200 million with the Western Hemisphere This fact made it impossible for Belgium to make grants under the new payments scheme adequate to cover her European surpluses in accordance with the technique of the first version of that scheme Had Belgium done so, she would have established drawing rights on her of $400 million, and would thereby have become entitled to conditional aid from the United States to the extent of $400 million, or twice as many dollars as she needed to cover her Western Hemisphere deficit. All would have been well if Belgium had not been compelled to spend those dollars; if, in other words, conditional grants could have been given in the form of free dollars, part of which Belgium would have been able to add to her gold and dollar reserve. But that is still too much to ask of the U.S. Congress. The Marshall aid legislation now before Congress makes no provision for any such allocation of free dollars. Marshall dollars in the second year of the plan will, as in the first, be earmarked to actual commodity transactions.

The way out of this impasse is being found by an agreement under which Belgium is to cover the $200 million difference between her surpluses with the O.E.E.C. countries and her deficits with the Western Hemisphere in two ways: as to $87½ million, by long-term credits which are to go to Britain, France, and the Netherlands; and as to the balance of $112½ million, in free dollars which are to be obtained out of the pool of E.C.A.

dollars for the second year of the Marshall Plan and as a deduction from the allocations going to the other countries.

In this way the consequent loss of dollars to other E.R.P. countries, including Britain, has been limited. In addition, however, it is possible that drawing rights may be transferred to Belgium. In order to limit the consequent loss of gold Belgium has agreed that when such transfers have been made to the extent of a total of $40 million they are to cease. This is equivalent to saying that Belgium agrees that her surplus with other E.R.P. countries will not exceed $440 million If this is to be the actual figure, it will be financed as to the first $200 million by conditional grants equal to Belgium's deficit with the Western Hemisphere, as to the next $112½ million by free dollars provided in accordance with the Paris agreement, as to $87½ million by long-term credits, and as to the remaining $40 million by further conditional grants which will follow transfers of drawing rights up to this figure.

These are the broad lines of principle on which agreement was reached in Paris just before zero hour for the new payments scheme struck at midnight on 30 June. These principles have yet to be hammered out into a detailed second version of the intra-European Payments Scheme. Before that can be done, one very essential preliminary has to be completed: U.S. Congress must register its final vote on the appropriation of funds for the second year of Marshall aid. Without that no final allocation of Marshall aid between the participants can be made, and no final commitments undertaken as regards the extension of contributions and drawing rights within Europe. The eggs are still unhatched. Another minor point at issue is the position of Switzerland, which is not a participant in the first version of the intra-European Payments Scheme, but which, it is hoped, may be induced to come into the new scheme.

The publicity and the headlines gained by the discussions which led to agreement 'in principle' on the new form of the Payments Scheme probably led to exaggerated ideas of its importance as a factor in the sterling area gold and dollar reserve situation. The amount of gold that may be lost in the coming year as a result of the partial transferability of drawing rights to which agreement has now been given cannot be more than £10 million. By the same token, the effect of the amendments of the Payments Scheme on the equilibrium of prices in Europe is unlikely to be as marked as the protagonists of transferability had hoped. Only a minute proportion of intra-European trade is likely to feel the impact of the transferability of drawing rights now that the proportion to which this applies has been cut down to 25 per cent and that Belgium, the main prospective recipient of these transfers, has set a further

absolute limit to the amount she is prepared to receive in this way.

Like all compromises, the new payments scheme leaves a great deal to be desired, and will be criticized by both wings of the protagonists that negotiated it. What can, however, be claimed for it is that in every respect it is an improvement on the first version of the scheme. It should continue the good work which that first version, with all its defects, unquestionably achieved, namely, that of rescuing intra-European trade from forces which in 1947 and 1948 threatened to throttle it. But the final sentence of the verdict on the Payments Scheme must surely be an expression of impatient and uncomprehending amazement at its complexity Is such tortuous subtlety really necessary to accomplish the basically simple objective of getting normal and healthy trade moving within Europe? The more one studies these complexities, the more one is filled with reverence for the old mechanisms of international trade and finance through which these problems appeared to solve themselves with beautiful automaticity.

P. B.

MALTA

A POLITICAL AND ECONOMIC SURVEY

IN the autumn of 1947 self-government was restored to Malta Though twenty thousand people failed to register as electors, seventy-five per cent of the 140,000 who did—a high proportion in a community which still contains too many illiterates—voted and returned a Labour majority to the single-chamber National Assembly. The Assembly meets in the tapestried Chamber where the Knights of St John once held their deliberations. The tapestries, sent by Louis XIV from Gobelins to Grand Master Perellos, show gorgeous scenes of African wild life, and so the Chamber has been re-named 'the Jungle' by the lively political journalists of Valletta; for sessions have been turbulent. Dr Boffa's Cabinet controls a Labour Party majority of twenty-four in an Assembly of forty members, representing the islands of Malta and Gozo. Leading the Opposition is one of the more colourful figures in Maltese politics, Dr Enrico Mizzi, well-known before the war for his love of Italy and his intimate acquaintance with Mussolini.

Dr Mizzi's Nationalist party, much less daring and unfriendly to Great Britain than it used to be, is still, with seven seats, the

strongest of the Opposition groups. But Nationalist influence among electors has not increased since 1947, and is never likely to secure a parliamentary majority. The Democratic Action Party is frankly right-wing, and has little in common with the Nationalists—emphatically not an Italophile past. It is the only other Opposition party of any size, and after the next election in 1951 will probably command more than its present four seats. Already it gives a more effective lead to the Opposition than does Dr Mizzi. The best-selling daily newspaper is *The Times of Malta*. In the words of its editor, Miss Mabel Strickland, it supports the Government in power, and criticizes its actions with moderation. Malta's most prominent journalist, Joseph Olivieri-Munro, used to edit *The Times of Malta*, and now runs his own weekly, *The Nation*, devoted almost entirely to politics, faithfully Catholic, and fiercely critical of the leftist group of the Labour Party. *The Nation* often crosses swords with *The Dawn*, Labour's own bilingual paper, which has just lost its editor, Roger Ellul.

Ellul was dismissed for his part in raising the most significant political issue since Labour came into power. The Government has so far been unable to reduce the heavy indirect taxes which keep the cost of living high for the average Maltese worker's pay packet of £3 or £4 a week. On the other hand high death duties have been introduced, and, in 1949, an income tax which does not much affect the worker but takes, for instance, £75 from the civil servant with £500 a year, £200 from the doctor with £1,000, and £400 from the business man with £1,500. Old age pensions at twelve shillings a week, on a non-contributory basis, have been introduced, and not before they were needed. The number of beggars is not necessarily a good index to poverty among the old, and Malta has fewer than neighbouring Sicilian towns. But even with pensions there are still too many people begging on the streets of Valletta and Floriana. Early this year *The Dawn* and the left wing of the Labour Party were making loud demands for further social legislation in the form of a national health service.

There are many Maltese who would welcome a health service, but who feel that it cannot be afforded at present. Among them is the Minister of Finance, Dr Colombo, and he made his view clear in his Budget speech in March. It was known that the two extreme left members of the Cabinet of eight—Dr Schembri Adami, Minister of Health, and Mr Mintoff, Minister of Reconstruction—wanted the scheme, and believed that it could be afforded by pressing the Imperial Government to renew its food subsidies, which were discontinued in March. By the middle of April Dr Colombo's attitude to the health scheme was being so sharply criticized both in *The Dawn* and on the Executive and

General Committees of the party that he resigned office. This was recognized as a protest against outside interference with ministerial policy and indeed against the disloyalty of Dr Schembri Adami and Mr Mintoff towards the Cabinet in which they sat. For several days the cafés of Kingsway were in a flutter over this crisis, and Dr Colombo only resumed his portfolio when the Party Executive was brought to give him an unconditional vote of confidence. His two dissentient colleagues apparently gave a guarantee that they would toe the line in future.

No-one who moves 'on Kingsway' can fail to notice the good humour and genuine personal attachment that exist among leading Maltese politicians of all parties. Yet it would be wrong to suppose it was a storm in a small tea-cup that centred around Dr Colombo. For him, as for the rest of the Cabinet, the decision to shelve the health scheme was hard to make, but the islands have too many essential—and expensive—tasks ahead before even this badly needed reform can be accomplished. The Government is planning in 1949–50 to put in an automatic telephone exchange, to carry out vital road repairs, to build a perimeter highway round Valletta—but why not, ask many Maltese, round the whole Grand Harbour area?—and to open new revenue-producing markets. Maltese restoration of war-damaged buildings has been remarkable. Wherever one goes are great piles of blocks of the yellow sandstone in which all Malta is built, and barefooted stonemasons are doing one of the hardest days' work in the world. Yet there is no telling how long and how much money it will take merely to build up what has been knocked down. Valletta and the western suburb of Sliema are still disfigured by widespread ruins, and no more than a substantial beginning has been made on Floriana or the celebrated Three Cities of Senglea, Cospicua, and Vittoriosa, which were all but totally devastated.

In five years' time, it is calculated, the War Damage Fund of £30 million which Malta has received from Great Britain will be exhausted. The fund is practically certain to prove inadequate to repair all that the bombers wrecked. Some Maltese suggest that Mr Mintoff is spending too little of the fund on straightforward rebuilding, and too much on such projects as the Perimeter Road and the demolition of the slums of the Mandraġġ. It is even doubted whether the Minister of Reconstruction has a sound knowledge of the expenses in which he is involving the Government.

Behind Dr Colombo's reluctance to embark on further spending, and the widespread Maltese feeling that Great Britain has interpreted less than generously Mr Churchill's promise that Malta would be repaid 'every penny' of what war had cost her, is the

realization that after 1954 the national income will drop by one-fifth. That income, counting the annual £3,500,000 absorbed from the War Damage Fund, is about £18,500,000. The fund will run dry in 1954, after which only £15 million can be relied on as things are at present. A quarter of this £15 million comes from agriculture, and a tiny fraction from exports of Maltese lace, cotton, building stone, beer, and onions. By far the highest proportion of the national income is earned by dockyard and airfield labour and by the retailing of food, clothes, entertainment, and luxuries to the Armed Forces. To plan social services and a full employment programme, to budget for 1955, will be out of the question unless the Service Departments are able to specify their labour demands for some years in advance. This uncertainty about the economics of the future makes the War Damage Fund even more precious in Maltese eyes. Doubts and difficulties are crowned by the phenomenal increase of the population by 8,000 a year. Malta and Gozo have 300,000 inhabitants today. In 1955, even allowing for emigration at its present rate, they will have 325,000 or more. Unless the national income is increased, there will be poverty on a massive scale.

A few more statistics will illuminate Dr Colombo's problems. Revenue during 1949–50 will be £5.3 million, of which £1.8 million derives from investments, fees, fines, lotteries, sales of land, rents, and grants from the Colonial Development and Welfare Fund. The rest, £3.5 million, will come from taxation, practically all of it from customs duties on imported goods, but £250,000 from income tax. Thus 19½ per cent of the national income is paid in taxes to Government—about £11 8s. 5½d. from every head of the population. Even with the new income tax, expenditure in 1949–50 will exceed revenue by £200,000. And revenue prospects are becoming gloomier. The receipts from duties on spirits and tobacco, confectionery, and luxury goods are slowly floundering, because both visitors and Maltese customers are buying less in the shops. Income tax in 1955 should reach a peak of £500,000, but it would be unsafe to assume a revenue by then of more than £5 million. Additional expenditure will have risen sharply, notably on old age pensions and State-assisted sea-passages for emigrants, but also on education, hospitals, pensions, and road maintenance. Dr Colombo hopes that this rise can be in part offset when the need ends for food subsidies and for spending money on governmental control of housing and food supplies. Expenditure by 1955 will be not less than £5.5 million a year, leaving a minimum annual deficit of £500,000. That deficit will coincide with the exhaustion of the War Damage Fund, and with the consequent increase from 19½ per cent to 25 per cent in

the proportion of taxation to national income. And so Dr Colombo has not only the most serious reasons for opposing an expensive national health service; he has to lead the Government and the nation in a great drive towards new ways of earning.

There is undoubtedly a case for a supplementary contribution to the War Damage Fund; but even if the Imperial Government gave £10 million more, the wolf would be back at Porta Reale, so to speak, by 1958 at the latest. Clearly, emigration will have to be intensified. Dr Colombo is already budgeting for a grant of £200,000 a year to help those who are leaving for Australia under the scheme arranged between the Maltese and Australian Governments. At present barely three thousand Maltese a year are going to Australia, and it is sad for Malta that the Australians naturally insist on hand-picking their recruits, and so draw away much of the best skilled labour. A fair number of emigrants drift across to the countries of the North African littoral, but the grand total of people leaving for Australia, for Africa, and (very few) for America is far below the reasonably safe minimum of 8,000 a year

The possibility of industrial expansion has to be considered Maltese natural resources are poor. All industrial equipment and nearly all consumer goods must be imported. Nevertheless, there are hopes of stepping up the volume of the island's exports. Much more lace could be made and sent abroad. The traveller from Valletta to Mdina sees springing up rapidly under his eyes the gigantic new brewery of the Simonds-Farsons-Cisk firm. Maltese beer, of a light, lager type, is good enough to appeal to some redoubtable English palates. The Government has reversed the blunder of two years ago which reduced the tariff on imported beers. 'Cisk' and 'Blue' face tough competition from Danish Carlsberg and Dutch Amstel. The duty on these went down in 1947 from 50 per cent to 25 per cent. Now it is back at 40 per cent The Wembley Stores of Valletta, well-known for their fine three-decker ice-creams, have started two new lines in manufactured foods—salami and mortadella, which in the past Malta had to buy from Italy. Light industries of several kinds might be developed, and the Government is proposing to exempt the new firms of the future from income tax for their first few years. This will be at the cost of revenue, but it is a sensible move which might have been applied also to enterprises opened just before income tax came in. Malta has wonderful natural harbours, but their port facilities, relying on lighters, are too costly and out-of-date to compete successfully with rival Mediterranean entrepôts. Here again, Dr Colombo insists, there must be development soon.

Five thousand acres of reasonably good arable land lie idle in Malta. The Government has planted experimental farms on

lands unused before. More could be done, both by State experiment and by private initiative, given long leases at encouraging rates. The soil of Malta is light and stony. The scanty rains quickly drain through it, the unceasing winds easily erode it. Maltese farming must have more reservoirs and a big extension of the present inadequate system of irrigation conduits. Although the annual rainfall is under sixteen inches—except for last winter's record deluge of twenty-six inches—there is enough water to sustain a flourishing Maltese agriculture, once modern engineering comes to the rescue. In April and May the rich green of some valley bottoms shows what can be done. There are already deep wells, worked by pumping, to demonstrate that large supplies of water could be brought up from the lower strata. The land cries out for the construction of dams, not only in the valleys but also on higher ground. There is a risk that some of the Department of Agriculture's experiments will cost too much. The bacon of Malta, for example, is of first-rate quality, but highly expensive to produce since too much fodder has to be imported.

Milk, except for goat's milk, is very scarce, and the experimental farms have gone all out to grow cattle feeding-stuffs, but, mistakenly it seems, have concentrated on lucerne. The same plot of land will yield four or five crops of lucerne a year; but five lucerne reapings are not equal in weight even to one normal crop of red clover, which can be sown with little labour on unmanured land. Lucerne needs manure. It must be weeded in winter, and watered all through spring and summer. The water and work used on this expensive crop would be better diverted to market gardening, the branch of Maltese farming which it would be simplest and most profitable to intensify.

The Maltese working man lives on bread, fish, vegetables, olives, and wine, with little meat. The day's main meal will be of *kawlata* or *minestra*, the national vegetable dishes, and vegetables are now so scarce and dear that a home-made course of *minestra* will cost a shilling a head. This is uncomfortably dear for the housewife with the typical family of half-a-dozen robust youngsters. The heavy cost of vegetables is due not merely to scarcity, but in part to the uncontrolled auctioneering of farm produce at the *pitkali*, or wholesale markets. Prices at the *pitkali* were controlled during the war. Nowadays there is control only of the price charged by the retailer, who therefore has a struggle to make his living. Maltese cauliflowers at four shillings the ratal[1] were left high and dry on the stalls after a recent 'invasion' of sevenpenny Sicilian cauliflowers. Some foodstuffs are subsidized, no longer from Great Britain, but exclusively from the Maltese taxpayer's pocket. The

[1] A ratal = 14 ozs.

Services enjoy the benefit of these subsidies without paying for them; and Mr Mintoff thinks that Great Britain should be asked for new subsidies. In the long run, a good water supply and not the subsidy is the means of enriching the soil of Malta.

In that soil few trees grow, the olive and the carob thriving best. It is hard to be sure that much of the land to be reclaimed will grow new trees. Characteristic of it are the abandoned rifle and gunnery ranges on the high table-land in the west, ending in splendid sheer cliffs which are a delight to the fossil-hunter, as the clear deep waters at their foot are a paradise for the more daring bather. But these are stony, arid places, exposed to searching winds. Vines would be a better proposition for them than olive-trees. There are many similar sites—at Mellieha, Ghajntuffieah, and Marfa—where the soil could be saved from being washed or blown away by terracing, an art well understood in this land of stones, and by the planting of vines. The boulders and rubble for terracing are at hand everywhere. Assuredly there are no woodlands left to be destroyed for vine-growing, for De Nardo, the Italian viticulturist, uprooted in 1929 hundreds of irreplaceable trees in the little stretch of parkland called Boschetto. Maltese wines are good enough to be popular at home, but abroad they would be thought to have too much strength with too little subtlety. And the Maltese who dines in the smart Kingsway or Sliema restaurants will usually order Chianti or Lacrimae Christi at five shillings the bottle rather than save a shilling on the local 'Melita'. The wines of Malta and Gozo vary so much from village to village that a vintage system is impossible. 'Melita' might find a small market in the United Kingdom. It would cheer the cold comfort of many a common-room or club dinner, but to stand a chance of improving its present position in Britain it would need a specially low duty to keep down its price. Otherwise, its native market is good. It can command three hundred thousand unfashionable tables, and to produce more of it is desirable.

For the visitor starved of the minor luxuries of life in the United Kingdom, Malta is still a land of plenty. The brightly-lit windows of hundreds of little shops in the narrow streets of Valletta or along the sea front at Sliema are crammed with cameras, fountain pens, tinned fruit and chocolate biscuits, good tweeds and poplins, nylons at nine shillings a pair, and sturdily-made children's toys. It is the serviceman whom the anxious shopkeeper wants chiefly to attract, and Malta has become since the war a centre for the re-export of these goods to Great Britain. This trade is not likely to flourish indefinitely. Already shelves are getting overcrowded with stock, as some home shortages grow less severe. This year's imports of luxury goods will be strikingly smaller than in 1948.

Moreover, the naval man wanting to send a parcel home will shop, if he can, in Gibraltar, where import duties are minute. The Maltese duties are solid enough to take away much of the pleasure of not having to pay purchase tax. Tobacco and drinks have a steadier sale in Maltese shops; the best brandy can be bought without trouble for thirty-five shillings; and there is always Benedictine or Cointreau at a pound a bottle in the bar round the corner.

Many Maltese cherish the hope that their islands may become a popular holiday resort. Malta has an advantage over countries where the British tourist is limited to his £50 allowance. But the journey by sea is long, and can be rough. By air, the expense is high. Overland it is easier; but the traveller will be tempted to stop at so many places on the way. But Malta has its own appeal. Valletta is one of the stateliest of European cities. Few people will not be moved by the might of its fortifications, by the tapestries and sculptures and silver chancel-gates of St John's Cathedral, and by the Auberge de Castille in the moonlight. The manuscripts of the Royal Library, and the brilliant frescoes and fine armoury in the Palace of the Grand Masters, will bring the lover of history here. The Maltese have put great energy into the restoration of their historic treasures, which suffered cruelly from bombing. Mdina Notabile, the old walled capital high up in the centre of the island, is almost entirely a city of the fifteenth century, with a more than mediaeval peace, and enchanting views from its battlements across to the sea. The neolithic remains at Tarxien excited every philistine who saw them. Marsa-Xlokk is the perfect 'old-world' fishing village. There are excellent bathing beaches. Gozo is an island of character and beauty. Yet if tourists are to come here in fair numbers, there is so much to be improved. Sliema has a few good hotels, notably the new Astra; Valletta very few indeed, though its Phoenicia, built since the war, would grace the Via Veneto in Rome. Only one Valletta hotel looks on to the panorama of the Grand Harbour and the Castle of St Angelo. Plenty of Maltese people are willing to hear good opera or a new play, but apart from a few 'occasions', organized by the Maltese Cultural Institute, the Virgil Society, or the British Council, one has to fall back on rather old films in cinemas whose seats are matched for hardness only by those of the island's very slow buses. A great tragedy of the air raids was the destruction of the Royal Opera House. Before the war it had glittering seasons of Italian opera, and visits from the Old Vic and the Dublin Gate players. For the good of the tourist trade it ought to be rebuilt at once. An investment equally sound would be the development—but not the vulgarization—of the little seaside town of Mellieha.

Cool and green even at the height of summer, Mellieha lies in the placid west of Malta, and from it Gozo may be reached in an hour. In their time, the islands have fascinated scholars and painters, and retired servicemen have settled down in them. Changes of the right kind would be sure to swell their numbers.

The crisis that threatens in 1955 will be grave. Malta is the world's second most densely populated country, and this density had its beginnings with British rule. For her very existence, Malta depends on being the naval and air base of a Great Power; but she can no longer live by the Armed Forces alone. It is not enough to say—in this rigidly loyal Catholic community—that the Maltese must learn to keep their own numbers down. In any case, the Commonwealth has here a rich well-spring of reliable, energetic, European man-power, only microscopically infected with Communism. The Maltese will tell you that as a nation they paid no heed to the Italian blandishments of the 1930s, and that the last thing they want these days is to become a distressed area of Sicily! They are proud of their George Cross, and conscious that the Commonwealth owes them a great debt for what they endured during the war. Their future needs call for careful attention. August is the season in Malta for the scirocco, the hot, damp wind that blows from Africa. The scirocco has curious psychological effects. It makes one feel pessimistic and querulous. But there is a far unkinder wind whose first gusts are now putting Malta ill at ease.

L. H. B.

COMMUNISM IN MALAYA

BACKGROUND TO THE FIGHTING

THE Malayan Communist Party (which it will be convenient to refer to hereafter as the M.C.P.) was founded secretly in the early nineteen-twenties. In those days the Governments both of the Colony and of the Federated and Unfederated States enforced the Registration of Societies, a measure which was designed to control the activities of Chinese Secret Societies, and since the M.C.P. never applied for registration—which would in any case have been refused—it was from its inception an unlawful association, and developed on those lines. Also, despite its name, it has always been an almost exclusively Chinese organization, and

attempts to enlist the support of Malays and Indians have largely failed owing to its Chinese bias; though it is true that since the last war not only have more of the other races been recruited but also some of the more extreme Malay nationalist societies have been used to further Communist ends. There is no evidence of any specific direction either from the U.S.S.R. or from the Chinese Communists in the foundation or subsequent activities of the Party, but the whole inspiration comes from Moscow and the Party has always followed orthodox Communist doctrine, with all that that implies, and regards the Kremlin as the oracle.

The organizers worked with the fanatical diligence which seems to be the common characteristic of all Communist executives, and the Party grew steadily in strength in the time between the wars. As if to prove its orthodoxy, it even had a purge in about 1930, with the usual wordy self-criticism; and by 1937 it was strong enough to take a major part in a serious wave of strikes. All its activities, of course, had to be secret, for mere membership of the Party was a legal offence, and although the short term of imprisonment which it entailed was nothing to worry about, and was indeed probably regarded as an honour, there was always the danger of deportation to China, a fate which Malayan Chinese regard with horror. Consequently the Party had plenty of opportunity to learn all the arts of 'underground' organization and internal security, which by the time of the Japanese invasion they had already developed to a high degree.

The outbreak of war in Europe must have put the M.C.P. leaders into something of a dilemma. They had been energetically pursuing an anti-Japanese policy, and had been the moving spirits behind the quaintly-named 'Anti-Enemy Backing-up Society' which had given some trouble by its too vigorous enforcement of a boycott of Japanese goods among the Malayan Chinese. And suddenly their heroes in the Kremlin concluded a pact with Japan's ally and the apostle of Fascism. It is an indication of their loyalty to Moscow that they at once proceeded to ignore the obvious interests of their fellow-Chinese and began a campaign to retard the Allied war effort by fomenting labour unrest in the tin and rubber industries. In this they were only partially successful, and when Russia was attacked by Germany they of course changed their line completely and presumably began to discuss among themselves co-operation with the Malayan Governments.

The next landmark was the invasion of Malaya. Within a few days of this the M.C.P. approached the Malayan Governments with an offer of all-out co-operation against the common enemy, and the offer was accepted. There was clearly no other course open. To have refused such an offer at such a time would have

meant not only neglecting one of the strongest means of organizing Chinese resistance but also risking the rise of a kind of third force opposed to both belligerents. The offer was put in the hands of an organization which was already concerned with underground and guerrilla activities in Malaya, and within a very short space of time Communists were being trained in guerrilla warfare and planted in parties with instructions to organize Fifth Column activities of all kinds behind the advancing Japanese lines. In this way some two hundred Chinese Communists were trained and planted, and they were supplied with a fair amount of small arms and explosives, though not enough to equip more than their own parties. These Communists were seen at once to be first-class guerrilla material, extremely keen and well-disciplined, and the regular mobilization of them by the Communist High Command showed what a degree of organization the Party had by then obtained.

The Party had already decided that upon it had fallen the sacred duty of organizing resistance throughout the whole of Malaya, and it lost no time in setting measures on foot to that end. The narrow Party line was ostensibly abandoned, and people were invited to join a Malayan anti-Japanese Resistance Army, which, in view of the large numbers of young men who had been thrown out of work and the inspiring example of the guerrillas in China, had no lack of recruits. By the time of the fall of Singapore units of this army were already in being and had had some brushes with Japanese troops behind the front line, and a search had been organized for arms abandoned on the battlefields. In course of time a good many rifles were collected, many of which were dredged from the Slim River and rendered serviceable by ingenious improvizations.

The fall of Singapore was followed by a blank space of a year and a half during which events in Malaya were almost completely unknown to the West; but in the summer of 1943 officers of Force 136 were landed in Malaya by submarine with instructions to gain contact with any Resistance forces there might be and establish a liaison. They found an organized and potentially formidable Resistance movement already in being under Communist auspices, consisting of a fighting force encamped in units in the jungle, with a strength of some 3,000, and an outside underground organization which was responsible for intelligence and the maintenance of the fighting force. The latter object was achieved by methods of extortion of the same kind as are now being used by the bandits, but in view of the anti-Japanese feeling of almost the entire Chinese population it can be assumed that payments were then made much more willingly. The Resistance movement was still confined to the Chinese—a separate Malay force was

organized a good deal later under British auspices. There was also a rival movement among the Chinese organized by the Kuomintang, but this was less well-armed and disciplined and was confined to North Malaya; it fought against the Communists at least as much as it did against the Japanese.

The ostensible abandonment of the Communist Party line had of course been only a temporary ruse. The force was now out and out Communist, and each little encampment was a Communist forcing-house, run on textbook lines with a Political Commissar wielding equal authority with the military commander. The rank and file, mostly young uneducated boys of the labouring classes, had no escape from an unending spate of Communist propaganda which even to them must have seemed overdone at times. At any rate a good deal of the windy rhetoric was wasted, for, in the opinion of the writer, not more than half of these white hopes of the Party responded to the call to arms against the British in 1948, and that in spite of the considerable danger involved in remaining non-belligerent. (Admittedly the number of bandits now is as high as, or higher than, the number of guerrillas then in arms, but the present army includes many new recruits, as well as the members of what was then the outside organization, which consisted of trusted Communists and was not included in the figure of 3,000 given above.) The military training given to these guerrillas was not of a high order, and it is obvious that the Party has improved this very greatly in the present uprising. And they were only armed in a very scratch way. But the system of security and secrecy was extremely good, indeed so good as to lead to a lack of efficiency in other directions. The basis of it was that no person ever knew more than was absolutely necessary for him to know in the execution of his particular duty. It is this system which makes it so difficult now to obtain information even from apparently important leaders who are captured. They simply do not know. It is a system of universal mutual mistrust which is an occupational disease of Communists and renders them so unacceptable in normal human society.

This mistrust was of course extended in generous measure, and perhaps not without reason, to the British officers of Force 136, though they were treated with the utmost courtesy and consideration. In the end an agreement was arrived at by which the guerrilla army undertook to 'co-operate' with the Allied Command for the duration of the war and also during the period of military occupation which must follow it. It undertook to receive liaison officers in all its units and accept tactical orders from Allied H.Q. In return, S.E.A.C. was to arm and equip the guerrillas. This was the sum total of the agreement. It was entirely a military arrangement, and

the political angle was never even discussed. It is necessary to mention this because there has recently been some talk of secret commitments by the British authorities covering the post-war period. There was never anything of the kind.

It was not till early 1945 that anything could be done to translate the agreement into action, but from the time that Malaya came into effective aircraft range of Ceylon, British liaison officers, together with supplies of all kinds, began to be dropped by parachute on guerrilla camps all over the Malayan jungle. The period from May to August 1945 was one of great activity in Malayan skies, and when the Japanese surrendered, over 300 British officers had been dropped and some 3,500 guerrillas had been armed, clothed, and very largely fed in addition. (This takes no account of parallel operations dealing with Malays and the Kuomintang guerrillas, which are not relevant here.) Each guerrilla unit had a liaison officer attached to it who was responsible, among other things, for the communication of orders from S.E.A.C. to the local commanders, and the whole scheme had reached a state of organization which makes it reasonable to assume that if there had been a second Malayan campaign the guerrillas would have given a good account of themselves. But it is interesting to note here, in view of the present troubles, that one of the chief difficulties encountered by the liaison officers was the local leaders' fear of getting into trouble with higher authority, and their consequent reluctance to take responsibility for any decision. In this respect a totalitarian system seems even worse than a democracy.

After the Japanese surrender there was a most unfortunate hiatus of several weeks before the first landing of Allied troops. The guerrillas came out of the jungle, with their liaison officers, and proceeded to make themselves responsible for law and order in the country. As far as the organized fighting units were concerned, especially those who had got used to their liaison officers, they carried out the task reasonably well, but of course there were a large number of people in the outside organization, as well as all sorts of miscellaneous bad characters, who were armed; and in the general state of lawlessness a veritable reign of terror began in many districts, which was a useful lesson to many in what a Communist administration might mean. Suffice it to say that in a few weeks the Communists lost a very large part of the undoubted goodwill and respect they had gained by upholding the flag of resistance throughout the long years of occupation. It is worth noting, also, that even at this time the Communist influence in the towns was slight. It is only in the countryside, where policing is difficult, that they have been able to establish themselves.

There followed the period of British Military Administration,

during which the Communist Party had undertaken to co-operate with the authorities. It would be natural to assume that this agreement was not worth the paper it was written on, but as a matter of fact it was a valuable agreement in that it acted as a distinct check on any overt hostile move on the part of the Communist armed force, which in view of its well-armed condition was still a force to be reckoned with. The Communists kept the letter of the agreement in this respect, the guerrillas retained their discipline, and in the end disbanded and handed in their arms, which is a testimony to some very adroit handling of a difficult situation. The belief is very general that the present insurgents are all carrying arms generously donated to them by Force 136, and one well-known ex-Malayan has written of the guerrillas 'refusing to hand in their arms'. Nothing could be further from the truth. In point of fact the arms collected from the Communist guerrillas considerably exceeded what had been issued to them. It would be possible to discuss at length where the present supply comes from, but the writer would prefer to confine himself in this respect to what he knows, and to say that the only Force 136 arms now held by the insurgents are those which were 'lost' in dropping, and subsequently found and salted away for later use.

Despite, however, this show of co-operation, which was undoubtedly dictated by the tactical situation, the M.C.P. never had the slightest intention of honouring the agreement in spirit. From the moment of the Japanese surrender it shifted its fire to the new target, the British authorities. By all sorts of means it created the maximum number of difficulties for the Administration, and it was helped very greatly by the well-meant relaxation of such few restrictions as had previously existed on the freedom of association. The Registration of Societies was in abeyance, and with it the registration of trade unions. A law legalizing trade unions, but requiring their registration, was in fact on the statute book before the war, but the Military Administration was in no position to enforce this law, and bogus trade unions sprang up in hundreds all over the country in a matter of days, none of them constitutional and all of them created and controlled by the M.C.P. Later, it is true, a few genuine trade unions were formed, but in general the legacy to the Civil Administration was a whole host of Communist cells masquerading as trade unions. The intention was to gain control of the whole labouring class of the country, and by that means bring about chaos and the Communist State.

It must have seemed a pretty rosy prospect for the Party. There were all sorts of troubles to work on, constitutional, economic, and racial. Communists, unfortunately, all work like beavers, and they made a terrific effort in this bid to gain control. They went

underground again—they were never happy as anything but a secret society—and closed down nearly all their open offices, but they kept their striking force alive, in the form of ex-comrades' associations, which exercised a rigid discipline on their members They formed Youth Corps and Women's Associations. They started newspapers. They fanned every little flame of discord But fortunately they could not find or create in Malaya the food on which the Communist virus feeds—general discontent. In spite of the troubles and difficulties which beset the Administration during the post-war years, the great mass of the population remained fairly contented, and utterly indifferent to politics. And after all their efforts, and after two general strikes which seemed to have been successful but were in fact only achieved by wholesale intimidation, the Party had, in 1948, to admit to itself that it had failed The resort to open insurrection was a confession of that failure.

Not that violence as such was a sudden decision. A violent revolution was always part of the programme, and was planned with considerable care and foresight during the years following the war. Arms and stores were collected by devious means and hidden away, methods of mobilization were arranged in detail, a shadow military organization was maintained, and jungle camps for the accommodation of guerrillas were built in a great network all over the country, exceedingly well designed both for concealment from the air and for defence from the ground. Indeed, so many of these camps have since been discovered that it is clear that each unit was to have several at its disposal, so that it could move from one to another at will, a measure which shows how well the Party had profited from wartime experience.

But the actual decision to resort to violence must have been made when it was realized that the civil campaign had failed, and that Communist influence among the ranks of labour was rapidly on the wane, as it was in the early months of 1948. The decision was announced clearly enough in fiery speeches made at the conference of the Federation of Trade Unions in Singapore in March, and the violence began in May. And here a fundamental weakness of the Communist organization in Malaya was revealed It was essential for a movement of this kind, unsupported by any great popular feeling, to begin with a decisive *coup d'état*; and it would seem that such a *coup* would have been easy enough to arrange in the unprepared state of the country's defences. There was nothing to prevent the murder of scores of unprotected planters and miners on a pre-arranged day, as well as the complete disruption of all communications. Such a blow might have had very serious consequences indeed. Instead, not only were there verbal warnings but also an outbreak of arson and petty violence

before the first big attack, when three European planters were murdered along the Lintang Road in Perak. It may be that the Communists were still not quite sure of themselves, and hoped to test the public reaction to violence before committing themselves too deeply; but subsequent events seem to make it more likely that their failure to start off with a shattering blow was due to a weakness in their own central direction. Their policy is directed by a Central Executive Committee which meets from time to time and issues instructions to the branches, but this body is not in continuous session and has no permanent staff. Consequently it confines itself to general direction on policy and ignores detail, which is left to the individual commanders. The latter, while being entirely subservient to the Central Executive, and held rigidly to account for their actions, have no conception of the general picture, and are indeed kept in complete ignorance of what is going on in neighbouring areas. Add to this a communication system which is so secret that it takes no advantage of posts, telegraphs, or even main roads, and it is not difficult to understand why the Communist 'army' failed to push home its initial advantage, and why its subsequent activities have often seemed muddled and inconsistent.

The local commanders are the backbone of the terrorist organization. They are well-trained, skilful, and brave. They have the courage of the fanatic, and will die rather than give in. It is they, and the small band of fanatics gathered round them, that have come to be known as 'the hard core' that is making the struggle against them so difficult and long-drawn-out. With only one standard of value, the interest of the Party, there is no appeal which can reach them and no infamy to which they will not stoop, except that of betraying the Party. Fortunately their numbers are small, even in comparison with the number of terrorists now in arms, which itself is only about one for every thousand of the population. There is food for thought in the consideration that so small a number could have deluded themselves into imagining they could stage a popular rebellion, as well as in the fact that they succeeded in creating such a problem for the forces of law and order.

Around the commanders and the 'hard core' are grouped the run-of-the-mill bandits. These consist in great measure of the former anti-Japanese guerrillas who have been recalled to the colours, willy-nilly. Many of them have no heart in the game and would be glad to get out if they dared. But they have good reason to know that desertion means death, and that even if they succeed in escaping into police custody they cannot enjoy police protection all their lives. Even so some have surrendered, and have told of

their friends who would like to do the same if they dared. Along with them are many new recruits, some of whom have joined from conviction or in hopes of plunder, and some of whom have actually been 'pressed' from the villages or deluded with false promises. A good proportion, also, are congenital thugs, such as a movement of this nature always attracts, who are out for plunder and rapine for its own sake. In a document captured in Johore a local commander complains that his recruits are nothing but a bunch of blackguards.

Such is the picture of this motley 'army' that has been painted by Communists in this country as the spearhead of a nationalist movement. It is abominated in Malaya by Malays, Chinese, and Indians alike. It supports itself by extortion, and expresses itself in callous and brutal murder. The fight against it is long and difficult, but to those in Malaya there can be no doubt as to the rights and wrongs of the struggle.

B. [illegible]. R.

THE PEASANT IN EASTERN EUROPE'S ECONOMIC PLANNING

A CRITICAL EVALUATION OF COMECON POLICY

THE vocabulary of portmanteau words has recently been enriched by a further addition: 'Comecon'. This abbreviation denotes the Council for Mutual Economic Assistance, founded in January of this year, and composed of representatives from Soviet Russia, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania. It is, in fact, the economic counterpart of the political Cominform, but excluding the Western countries (France, Italy, and the Russian Zone of Germany) whose Communist Parties are represented on the Cominform. Its purpose is to strengthen and co-ordinate economic relations between the member countries, which are already firmly linked by political and diplomatic pacts. It was created as a reply to the economic organization of the West, as a deterrent against the temptation to accept any Marshall-like offers, as a means of co-ordinating the various long-term plans of the countries concerned, and as a channel for enforcing the boycott of Yugoslavia.

Two further features must be mentioned. On the one hand, the Comecon represents, economically and politically, Eastern Europe as it is today—that is, it represents the framework of Russian domination into which these different countries fit, quite apart from their geographical position. This is why neither Finland nor Yugoslavia is represented on it, although they qualify both by their geographical and their economic characteristics; while Czechoslovakia is included in it, although her characteristics are structurally different.[1] On the other hand, Comecon embodies that particular economic doctrine which asserts that the economic structure of a nation can be radically changed through socialist planning, irrespective of the essential demographic basis.

It is from this last point of view that Comecon comes into conflict with the methods of economic demography. The scientific approach to complex economic, financial, and social problems provides the only real possibility of examining the situation of a country, and especially of countries in which, as in Eastern Europe, the population factor, its growth, and its economic maladjustment play the principal part. Economic policies are legion, and are open to experiment. During the last ten years the countries of Eastern Europe have in this respect been subjected to two phases of experiment on the part of their powerful neighbours. First they were the victims of self-interested economic exploitation by the Nazis. Now they are being subjected to politically-enforced partnership in the more ambitious economic and social planning of the U.S.S.R. This planning takes no account of the demographic structure or of the permanent problems inherent in the economy of Eastern Europe: the specific problems of a peasant economy.

THE PROBLEM

The crucial economic problem which faced the countries of Eastern Europe between the wars was the contradiction between a low national production and a growing population. Production

[1] Despite these differences, it seems reasonable to include Czechoslovakia for consideration in this study She is politically integrated within the region, and certain inter-satellite industrial projects, such as the agreement with Poland over the common development of the Ceszin (Tieszyn) industrial area on the frontier, link her economically with her neighbours Moreover Czechoslovakia, in common with the other satellites, is committed to finding a rapid method of economic progress. In modern statistics of real national income she shows a figure of 455 International Units per capita, as compared with the U S.A.'s 1,368, Great Britain's 1,069, and even impoverished Austria's 572. It is thus not surprising that the authors of the Czechoslovak Five-Year Plan are attempting to raise the national income over the period from 1949 to 1953 by nearly 50 per cent.

was low partly because its most important source was agriculture,[1] which is much less paying than industry, and partly because the agricultural productivity itself was very low. The author of a recent book on this subject, Mr Wilbert E. Moore,[2] has attempted to calculate the comparative level of regional agricultural productivity in Europe. Weighing the quantities of agricultural commodities produced according to a uniform set of value ratios, the 'crop unit', he calculated that the average 1931–5 European number of crop units per person dependent on agriculture was 43. Taking this number as European index=100, he has shown that while production of this sort, represented in European percentage, was 354 per cent in Denmark, 319 per cent in the United Kingdom, 220 per cent in Belgium, and 174 per cent in France, it was only 105 per cent in Czechoslovakia, 78 per cent in Hungary, 49 per cent in Poland, 48 per cent in Rumania, and 47 per cent in Bulgaria

By making a comparison between a 'reasonable' European standard agricultural population and the total population, he claimed that Eastern Europe presented a high agricultural 'surplus population'. In Bulgaria, for instance, the surplus was 53 per cent, in Rumania 51 per cent, and in Hungary 22 per cent. The conclusion of these hypothetical calculations would seem to be that the problem which confronts any economic policy for these countries is that of reducing over-population

But if one considers the agricultural production not per person but strictly economically, per hectare of agricultural land, one sees that in Eastern Europe it is not only the factor of over-population which causes economic maladjustment in the five countries under examination, but also that of under-production This low productivity was due in the past mainly to the low level of agricultural technique in these countries; while one of the main causes of the latter was low capitalisation.

Even before the end of the war, the need for raising the standard of living in Eastern Europe was taking its place along with the other economic problems of the world. It was then supposed that after the war some solution could be found whereby the national production as a whole could be raised, through industrialization and agricultural improvement.

THE COMMUNIST AGRARIAN POLICY

When Communist régimes were imposed on the countries of

[1] The respective percentages of agricultural population and agricultural national income in 1930 were as follows Poland, 60 and 39 per cent, Rumania, 72 and 50 per cent, Czechoslovakia, 33 and 36 per cent, Hungary, 57 and 34 per cent; Bulgaria, 75 and 82 per cent

[2] League of Nations Economic, Financial, and Transit Department *Economic Demography of Eastern and Southern Europe* (Geneva, 1945).

Eastern Europe, large-scale economic programmes were put forward, which aimed at solving simultaneously the problems of post-war reconstruction and of the building of socialist States. They were conceived on almost identical lines. They considered both the industrial and the agricultural aspects of the problem. It is with the latter that the following pages deal, in an attempt to discover what the answers are which the Comecon gives to the ever-present question of the backwardness of agriculture. The direct answer is through a new agrarian policy, the indirect through industrialization.

The first step seemed to be the institution of land reforms, which were completed in all five countries by the spring of 1946. In retrospect, this move was clearly a political one. It was applied without discrimination, and with the same fanfare, both in the three countries where it was applicable and in the other two where expropriation had long since taken place. For instance, the reform was presented identically in Hungary, where over 50 per cent of the land was in the hands of proprietors owning more than 50 hectares and most of it was worked through tenant-farmers, and in Bulgaria, where the corresponding percentage was 1·6 per cent in 1939; and land was distributed among landless peasants in Hungary, where they represented 40 per cent of the agricultural population, in Czechoslovakia and Poland, where they formed 15 per cent, and in Rumania and Bulgaria, where such a category was hard to find Moreover, from a purely economic point of view, not taking into account social or moral justifications, land distribution results in a decrease in the total productivity of the land. Agricultural economics show this, not only in any comparison of Eastern and Western productivity and systems, but also within the Eastern sphere alone, where Hungary and Czechoslovakia, for instance, under a semi-feudal system had a higher rate of productivity than that of Rumania and Bulgaria, which were characterized by small and medium holdings owned by peasant proprietors.[1]

Communist experts were aware of this. Therefore their drive towards collectivization arose not only because their social doctrine was opposed to peasant properties and to the peasant class as a whole, but also because their applied economics taught them that collective farming, with large estates such as are to be found in Russia, provided the solution for intensifying agricultural productivity. The campaign for the collectivization of agriculture, which is now getting under way, started in 1948. The satel-

[1] Professor Mitrany's book, *Land and Peasant in Rumania*, shows clearly the conflict between land distribution and land productivity in the light of the great land reform inaugurated in Rumania in 1919–21.

lites were, in fact, to begin to follow in Russia's footsteps.[1]

The reasons for which collectivization is doomed to failure in the Comecon countries are various. The first lies in the fact that in all these countries there is an awakened peasant class which differs from the Russian peasant class of the 'thirties by reason of its national unity and its inter-regional communications, and by the fact that for the past twenty years it had, to some extent at any rate, possessed some land of its own, its own social doctrine, its own political parties, its parliamentary representatives, and its own governments. The second reason is to be found in the difference in density of agricultural population between Russia and the Eastern European countries. In Russia, collectivization meant the transfer of many millions of peasants, not only into the newly expanded industries, but also to agricultural land not previously cultivated. It cannot be assumed that the increased direction of population towards industry would alone suffice to absorb the surplus in Eastern Europe. No better demonstration of this delusion can be found than in some pages of Miss Doreen Warriner's book, *Economics of Peasant Farming*:[2]

> In Russia the state of rural over-population was consistent with the existence of vast agricultural areas which could not be brought into cultivation, and natural resources which could not be exploited, owing to lack of capital. . . . But Eastern Europe has little or no uncultivated land and few mineral resources; the policy of a forced industrialization would therefore lack its foundations . . . The main reason which promises success to the Russian plan is because it is a colonization programme, not merely a reorganization of farming methods, and Eastern Europe has no hope of dealing with surplus population in this way.

It is now known that the resistance of the Eastern European peasants to the first attempts at collectivization has forced the Communists to review the situation. In Poland, it was announced on 18 June that the Government had decided to limit this year's goal to the organization of some 200 co-operative farms, out of the target total of 7,400. In Rumania dispossessed farmers have formed a maquis against which the Government had to move in force during June, especially in the Banat. In Bulgaria, Chervenkov and

[1] It is remarkable that in the Baltic States proposals for collectivization put forward by eager Communists were condemned by Moscow as a Trotskyite deviation J Elsbergas, Director of the Soviet Department of Agriculture, was dismissed for stating publicly that the peasants should be free to decide for themselves whether to keep their individual holdings or to band together and form collective farms. It is only since 1948 that collectivization has appeared in all the Eastern European countries, and orders have been given to speed it up On 15 March 1949 the Rumanian Communist Party's Central Committee passed a resolution that its task was now to undertake the socialist transformation of agriculture, as in the U S S R

[2] Oxford University Press, 1939.

Kolarov presented a resolution to the Central Committee of the Communist Party which was adopted on 12 June and published on 21 June. This resolution aims at appeasing the peasants and inducing them to forgive the drastic steps which Kostov initiated. 'Measures must be taken', it states, 'to promote the all-round development of our agricultural economy, increase the productivity of agricultural labour, and undo the mistakes admitted in the setting-up of labour co-operative farms.' In presenting the resolution Kolarov said that with regard to rural economy Kostov had carried out a policy which inevitably alienated the bulk of the medium and a considerable number of the small peasants from the Party. Yet, with or without collectivization, this does not solve the problem of economic maladjustment which characterizes these countries. It is therefore preferable to discuss, first, the general economic plans which were drawn up by the different countries, and which have been sponsored by the Comecon, and then the other drastic solutions which are hanging over the heads of the Eastern European peasantry under the guise of Communism.

THE ECONOMIC PLANS

The five economic plans of Poland, Hungary, Czechoslovakia, Bulgaria, and Rumania differ in detail but not in pattern. They differ in age: the first Polish plan was started as far back as 1946, while the Rumanian long-term plan is due to start only in 1950. They differ in length: the Hungarian is for three years, the first Polish plan for four, the second for five, as were the Czechoslovak and Bulgarian plans, while the Rumanian was for one year only. Yet despite the varying time factor, the similar feature in all the plans is the proposed solution for agricultural problems, namely, the building-up of heavy industries as quickly as possible, and the maintenance of agriculture at the same level as before the war, if not at a lower one. The following table shows, as a first indication, the figures of the percentage distribution of investment in the new plans[1]:

		Mining and Manufacture	*Transport*	*Agriculture*	*Housing*	*Public Services*	*Others*
Poland	1947–49	39	24	13	9	11	4
Czechoslovakia	1947–48	36	22	7	20	15	—
	1949–53	41	16	8	12	22	1
Hungary	1947–49	32	27	9	12	20	—
	1950–54	49	17	17*	7	10	—
Rumania	1949	47	21	9	21		2
Bulgaria	1947–48	45	15	6	11	17	6
	1949–53	40	19	13	5	19	4

*Including drainage, irrigation, and expenditure on livestock and fertilizers.

[1] United Nations Department of Economic Affairs. *Economic Survey of Europe in* 1948 (Geneva, 1949).

The Polish Four-Year Plan states that the proportion of the population engaged in agriculture will be decreased by about 8 per cent in favour of industry, and particularly of heavy industry. The Czechoslovak Five-Year Plan attempts to raise industrial output by 57 per cent and agricultural output by 16 per cent. The target of the Hungarian Plan is set at 90 per cent of pre-war agricultural production, but at 127 per cent of pre-war industrial production. In introducing the Rumanian Plan, Gheorghiu Dej said that 'the decisive factor is the building up of a heavy industry'. In the Bulgarian Plan the proportion between industry and agriculture, which previous to the Plan was in the ratio of 30 to 70 per cent, must reach 47 to 53 per cent by 1953[1].

As will be seen from the following table, the figures of estimated net investment in fixed capital in the sector of agriculture and fisheries in respect of four of the five countries with which the present study is concerned show a negative result in the case of three of them.[2]

ESTIMATED NET INVESTMENT IN FIXED CAPITAL
(in millions of dollars, 1938 prices)
AGRICULTURE AND FISHERIES

	Bulgaria	*Czechoslovakia*	*Hungary*	*Poland*
1947	—13	—21	—11	—5
1948	—11	—19	—5	11

The neglect of the agricultural sector is thus not accidental It forms a policy. This policy is presented as one of switching over manpower from agriculture to industry, thus absorbing at least part of the surplus population, while at the same time augmenting the nation's wealth and remedying its economic backwardness by increasing the national income with the rapidity provided by industry.

WILL THE PLANS SUCCEED?

There are two strong arguments in support of the contention that an economic policy such as that forecast by the Comecon Plans

[1] The disconcerting statistics published by Comecon prefer to give only percentages, in which the index figure is constantly changed, so that the percentage is favourable or unfavourable as required At the last session of the Economic Commission for Europe, Mr Warner, one of the U K delegates, protested against this habit Pointing out that Bulgaria and Rumania, for instance, had published no production figures since November 1948, and no foreign trade figures since May 1948, he said that in all the Eastern European countries there seemed to be an unwillingness to publish statistical information indispensable for a complete picture of Europe's economy. M Philip, a French delegate, also protested about the publication of statistical information only in percentages He said that his grandson had recently produced a second tooth, but that although he had increased his dental production by 100 per cent he still had fewer teeth than most people. The problem is of the utmost gravity. It was due to the refusal of Eastern European delegates to produce full statistics that twice the project of a scheme of East-West trade had to be abandoned.

[2] United Nations *Economic Survey of Europe in* 1948, p. 51.

is taking a grave risk. The first is the danger of substituting projects for reality, of giving up a practicable present for a nebulous future which may or may not succeed. The result of the Comecon Plans taken as a whole might be that the new industries would not expand, or at least not adequately, the national income would not show the expected rise, while in the meantime the basis of agricultural productivity would have been damaged, if not destroyed. The second argument suggests that even given the best conditions the solutions put forward might prove inadequate to the gravity of the problem.

But the main reason for fearing possible failure of these plans for speedy industrialization is that their implementation involves a choice between lack of capital equipment, in the event of autarky, or prohibitive competition with Western industry, in the event of a régime of free trade and international economic co-operation.

It is an easy matter to develop an artificial industrialization behind a curtain of protectionism· for this purpose the Iron Curtain is ideal. It is significant that in four out of the five countries industrialization increased greatly from 1930–31, when new tariff barriers were introduced in Europe as a result of the world crisis and of the currency difficulties which characterized that period Taking the industrial output of 1929 as index=100, the industrial output of Poland in 1939 was 120, that of Hungary 126, of Rumania 132, and of Bulgaria 155. Czechoslovakia, on the other hand, showed a decline to 96 per cent, as she had previously enjoyed a more advanced state of industrialization and had not taken such radical steps to safeguard herself. An Eastern heavy industry in Europe, hermetically sealed against competition with its rival in the West and able only to sell its goods, inevitably expensive because of high production costs, within its own markets or possibly to Russia and China, could only hope to survive under very exceptional circumstances

Can such a new industry find behind the Curtain all the elements it needs for its development, and, in particular, the necessary raw materials and capital equipment? If even in respect of raw materials the outlook is doubtful, it is undeniable that the Comecon countries are starved of capital—so much so that the under-development and backwardness of even their agricultural production, which needs less investment than industry, was due to lack of capital, without which they could not hope to rival the modern agriculture of the West. According to the United Nations *Economic Survey of Europe in* 1948, 'the average rate of gross investment in fixed capital under the new Plans will be $4,000 million per annum and may reach $5,000 million in the final

years of the Plans'. To show the magnitude of this annual figure, it is enough to say that it almost equals both the total of Europe's imports from the United States in 1948[1], and the total post-war grants and credits accorded by International Agencies and Governments to Asia and Latin America together.[2]

Comecon countries, including Soviet Russia, have neither the capital nor the technical equipment to carry out such an extensive programme. As the *Manchester Guardian* (19 May 1949) points out in an article entitled 'East Needs West', 'Russia's satellites do genuinely want more trade across the Iron Curtain. They badly need both machinery from Western Europe itself and raw materials from the British Commonwealth. Trade with Russia has quite failed to take the part in their economy that the West, and Germany especially, used to do. The Russians cannot make enough capital goods both for their own needs and for the industrialization of Eastern Europe; it is, of course, the satellites who go without'

Three examples are particularly indicative of Russia's failure to provide the means of investment. First, from the speeches of Tito and his economic deputy it can now be clearly seen that one of the most profound causes of Yugoslavia's secession lay in the revolt against Russia's inability to help her to implement her Five-Year Plan. Secondly, according to United Nations figures, the fulfilment of investment within the respective Plans fell short of the target in both 1947 and 1948—in Poland by 11 and 10 per cent; in Czechoslovakia by 31 and 29 per cent; in Hungary by 8 and 10 per cent, in Bulgaria by 38 and 19 per cent, and in Rumania by 13 per cent.[3] Thirdly, at the Conference of the Economic Commission for Europe in May[4] the Polish and Czech delegates openly requested trade exchanges with Western Europe, which would enable Comecon countries to import capital equipment; they also asked for a system of balance of payments. The Bulgarian delegate stated bluntly that his country could not make up her economic leeway within a reasonable period without increasing her imports, especially of machines and tools.

Given the political, military, and economic situation which Russian foreign policy has created in Europe today, such requests were utopian The British delegates, Mr Mayhew and Mr Warner, pointed out that such small capital investments as Britain could afford would go rather to Western Europe and the Commonwealth than to Eastern Europe, where production might be jeopardized by political measures. The representatives of the United States, Mr Harriman and Mr Porter, explained unequivo-

[1] United Nations *Economic Survey of Europe in* 1948, p. 112.
[2] United Nations· *Major Economic Changes in* 1948 (Geneva, 1948)
[3] United Nations *Economic Survey of Europe in* 1948, p 174
[4] United Nations Documents E/ECE/SR4/1–25.

cally why in their view the Comecon plans were unlikely to succeed, and would therefore not attract the necessary capital. To them, the unusually low proportion of investment in agriculture was the most disquieting feature. Increased investment in that sphere would be in the interests of Europe as a whole, especially in view of the fact that a comparatively high return could be realized on a relatively small volume of capital investment per worker employed.

Refuting the argument that Western capital did not want to see the industrialization of Eastern Europe, one of the American delegates, Mr Porter, said that Eastern Europe must indeed be industrialized, but not at the expense of her agriculture. On the contrary, the countries under review might profitably explore more thoroughly the possibility of financing such undertakings by increasing their trade in primary products. Greater concentration on agricultural production for export would offer the advantage of providing the exporting country with the additional capital needed for industrial development. The economic history of the United States, Canada, and Sweden proved, Mr Porter concluded, that a country could become highly industrialized and still remain an important exporter of raw materials and food.

Indeed, it can well be argued that the sound economic policy for the Eastern European countries today lies in the intensification of agricultural productivity by technically improved methods. This is especially true at a moment when agricultural markets are better than industrial ones, when large sums of capital are ready to be invested in areas in which confidence could be placed, and when any prospects of international planning are based on regional specialization. It is only by employing on an unprecedented scale the existing manpower and natural resources of the nations that the surplus population can be absorbed and that the real national income can be increased.

ERROR IN THE PLANS

Here, we may take once again the example of the Polish Plan. In this Plan at least, figures are adduced to show that one of the goals of the new economic policy is the absorption of agricultural manpower. In the Hungarian, Bulgarian, and Rumanian Plans, on the other hand, no attempt is made to estimate the percentage of this absorption by the end of the Plan's completion. The Polish Plan therefore affords the best illustration of the Comecon thesis, both for this reason and also because of the reduction of population which Poland suffered as a result of the war and the territorial changes. Official statistics put the total population of Poland in 1947 as only 24 million (as against 35 million in 1938). But the

proportion of farming to non-farming population remained unchanged, at 55 per cent of the total. The planned reduction of manpower in the agricultural sector by 1·4 per cent per annum, to reach a total of 8.5 per cent in 1955,[1] will not modify the percentage of agricultural surplus population except within these narrow limits

At the same time, the agricultural national income would also suffer a reduction from nearly 39 per cent to 27 per cent, owing to the labour withdrawn from this field of production. According to the authors of the Plan, this reduction would not lower the general national income; the increase of 10 per cent registered in the industrial national income would raise the total national income by 14 per cent above the pre-war level. But in a State-controlled economy, and especially during the period of embryo industrial investment, the net national product is reinvested at once. The Polish State will then be faced with a poorer, less productive, and proportionally more unemployed peasantry, while at the same time continuing to build up its costly industry On the other hand, the demographic balance and the social equilibrium of the national economy will be even further destroyed by the economic process in which fewer people will give to the community greater wealth than before, while greater numbers will be completely deprived of any social and economic contribution.

Were the increase in industrial output to be paralleled by an increase in agriculture, while maintaining the change-over in manpower, it still seems unlikely that the Plan would be able to solve the problem because of its fundamental disregard for such considerations as real national productivity, the social aspect of the region, and a sound European and world commercial policy. But by a planned reduction of employment in that sector of the population which, by its involuntary unproductiveness, has in any case always been a burden upon the economy of these countries, the Comecon is taking the greatest risks. What will the Polish State do with its peasants who are barred from national production? What will the Comecon do with at least more than 10 million unwanted peasants? How many generations, how many successive plans, will be needed before their final absorption? According to the secret protocol to the Pact for the Council for Mutual Economic Assistance, the Soviet State Planning Committee will 'co-ordinate' the economic planning of member countries for the next twenty years. Will even this optimistic timing be enough? The palliative solution of the labour camps becomes an increasing probability.

[1] United Nations *Economic Survey of Europe in 1948*, p 204

The Plans, in fact, are misdirected in aiming at a big transfer of population from agriculture to industry. For on the one hand, it is doubtful whether the resources necessary for the contemplated industrial expansion will be available to them within any reasonable time; while, on the other hand, it is by no means to be taken for granted that the existing agricultural population cannot be absorbed by agriculture, given the improved methods that will be open to it. In any case, it seems apparent that the Plans as they now stand serve predominantly the interests of Soviet Russia rather than of the countries they purport to benefit.

G. I.

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NOTES OF THE MONTH

Parties in the Council of Europe

NOWADAYS popular assemblies, especially those of a political character, tend to be organized on the basis of parties. The parties ought to be formed with reference to the issues they have to decide.

The Council of Europe is composed of the Committee of Ministers, formed of delegates from the member Governments, and the Consultative Assembly, formed of representatives appointed by the Governments The members are democratically constituted States; each Government, in its own parliament, depends on a majority, composed either of a party or of a combination of parties. But in international affairs the outlook of a Government is usually national rather than partisan. The Committee of Ministers is not likely to find itself dividing on party lines. On the other hand the members of the Consultative Assembly have been chosen from Parliaments. In most cases, possibly in all, the Governments have asked the parties represented in the Parliaments to nominate individuals. There is therefore a tendency to carry into the proceedings of the Assembly the party prepossessions and loyalties by which members have been guided at home.

For the most part the delegations to the Assembly contain no Ministers. The most notable instance to the contrary is the British, of which Mr Herbert Morrison, Mr Dalton, and Mr Whiteley are members. The intention has been that representatives in the Assembly speak and vote as independent individuals. The representatives are seated in alphabetical order, so that neither national nor party affiliations are emphasized by proximity.

Will parties form in the Assembly? If so, will they be derived from the political parties already represented, or will they follow new lines? That will depend on the issues raised. The Assembly, by a two-thirds majority, can make recommendations to the Committee of Ministers for considering 'the action required to further the aim of the Council of Europe, including the conclusion of

conventions or agreements, and the adoption by Governments of a common policy with regard to particular matters'. The Committee of Ministers itself can only make recommendations to member Governments, by 'the unanimous vote of the representatives casting a vote, and of a majority of the representatives entitled to sit on the Committee'. The recommendations will have no binding effect on particular Governments, but member Governments may be requested to say what action they take.

What then will be the issues to be discussed? The aim is 'to achieve a greater unity'. It is to be pursued by discussion of questions of common concern, and 'by agreements and common action in economic, social, cultural, scientific, legal and administrative matters, and in the maintenance and further realization of human rights and fundamental freedoms'. The agenda of the Assembly are either initiated or assented to by the Committee of Ministers, and the Committee must 'have regard to the work of other European inter-governmental organizations to which some or all of the members of the Council are parties'. There is an overriding exclusion of matters relating to National Defence, and the agenda must not clash with the work, for example, of the O.E E C., but this limitation does not apply to the work being done by inter-governmental organizations extending beyond Europe. The issues would seem to fall into two categories· on the one hand, constitutional and political machinery of co-operation; on the other, policies and activities in which co-operation is feasible and desirable. In other words, by what *means* and for what *ends* is greater unity to be aimed at?

At the present stage the means are likely to command more attention than the ends. The movement for closer union includes both a forward wing and a gradualist wing. The former would aim at a close formal federation, with a directly elected parliament of Western Europe, and would frame immediate measures with a view to hastening the transition to that climax. The latter would be content with such machinery of co-operation as is devised for ends immediately in view, and some of them, but not all, would look forward to a future synthesis amounting to a full federation.

The forward wing and the gradualist wing do not seem to correspond at all to existing party divisions. But when the Assembly turns from means to ends, these divisions may sometimes make themselves felt. Socialist views will influence voting on economic matters; possibly Catholic views will intervene in cultural questions.

Progress in Palestine

Although the basic problems relating to Palestine remain unsettled, within certain defined limits a considerable amount of

progress has been made during the last six months towards stabilizing the relations of Israel with the Arab States. Actual hostilities have ceased, and although a permanent settlement on territorial questions has not yet been reached, nevertheless when the Israeli-Syrian armistice agreement was signed on 20 July 1949 Israel had come to terms, and provisional boundaries had been agreed upon, with all her Arab neighbours. This in itself was a step forward in that it implied at least a recognition of Israel's existence by these States and opened the way to peace negotiations.

Pending a permanent peace settlement, the armistice signed with Egypt on 24 February at Rhodes provided for a boundary line from Nabi Yun, a coastal village about twenty miles south of Tel Aviv, to the Gulf of Aquaba, and the retention by Egypt of the Gaza-Rafah coastal strip The Israeli-Lebanese armistice signed on 23 March at Ras-en-Nakura maintained the present international frontier between the two countries. The demarcation line between the Dead Sea and Aquaba, agreed upon in the armistice signed with Transjordan on 3 April, also follows the international frontier, and on the central front, which was occupied by Iraqi troops, Israel retains control of the Hadera-Afula road and the Lydda-Haifa railway line except where it touches Tulkarm, which remains in Arab hands The boundary line at Jerusalem follows the present military front lines The armistice agreement with Syria signed on 20 July closed the last gap in Israel's provisional frontier system and provides for the withdrawal of Syrian forces east of the present international boundary of Palestine. Areas disputed between the two countries are to be demilitarized pending final peace negotiations

Nevertheless, progress towards such a permanent peace settlement has been slow. On the subject of an international régime for Jerusalem and the Holy Places, while the Arabs at the Beirut Conversations of March 1949 declared themselves provisionally ready to accept the principle of an international régime, provided the United Nations could guarantee its stability and permanence, Mr Ben-Gurion on behalf of the Israeli Government took the view that although 'Israel accepted without reservation an international régime for, or the international control of, the Holy Places in the City . . . for historical, political and religious reasons . . . (she) could not accept the establishment of an international régime for the City of Jerusalem'. Israel has since made clear her desire to retain control of the new City by establishing there various ministerial and governmental services formerly at Tel Aviv.

During the peace conference at Lausanne, which began on 27 April and is still proceeding, negotiations on the repatriation and resettlement of the Arab refugees have been hampered by Arab

insistence that the refugee question should take precedence over any negotiations on territorial boundaries, and by Israeli unwillingness to accept the principle set forth in the U.N. General Assembly resolution of 11 December 1948 that 'refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date', and also by the Israeli desire to regard the settlement of the refugee problem as implicit in a general settlement of territorial claims. Israel's attitude to the Lausanne Conference was summed up by Mr Sharet on 15 June. He stated that the Arabs were 'determined to negotiate solely on the question of refugees and not to discuss peace, and that proposals for the wholesale return of the refugees—a "fifth column"—would be a form of suicide when there was no peace between Israel and her neighbours, and at a time when the Arab States were boasting about an early resumption of hostilities'; Israel was ready to offer compensation wherever justifiable within an overall peace settlement, and individual applications by Arabs with families in Israel would be favourably considered

Nevertheless, when after two weeks' recess the Lausanne talks reopened on 18 July both sides seemed more conciliatory in mood The Israeli Government, who on 8 July had announced that arrangements had been made to deal with applications from its Arab citizens for the return to Israel of their wives and children, put forward a new proposal on 28 July which provided for the return of 100,000 Arab refugees This number, however, included 25,000 already in Israel. The Arab delegation, on the other hand, announced that they would discuss repatriation on the terms laid down by the Jews—namely, that the refugees should be settled in the Arab countries as well as in Palestine—and that any scheme worked out should form part of a general peace settlement. Their decision was no doubt influenced by United States assurances that if they agreed to the Israeli proposals, the McGhee plan, which envisaged adequate financial and technical assistance for refugee resettlement, would be put into operation even before a final peace settlement was reached. These decisions point to a more favourable turn in the Lausanne talks and hold out fresh hopes of settlement. But both Arab and Jewish Governments are keeping a nervous eye on domestic public opinion, which is some way behind them in accepting a compromise on the refugee question.

WESTERN GERMANY, JUNE 1947 AND NOW

IMPRESSIONS OF CONDITIONS AND OUTLOOK

TO a visitor returning for the first time since currency reform the most immediately striking change is, of course, in the physical appearance of Western Germany and of its inhabitants: reports have not exaggerated the extent to which debris has been cleared and new buildings have been put up—shops, offices, cinemas, and to a lesser extent houses and flats. The shops are full of goods, and in most cities the better ones have rows of shop-gazers in front of them. German motor-cars—not merely those of the Occupation authorities—purposeful activity in the streets in place of aimless individuals and long queues for food and fuel, also bear witness to the extent of German industrial recovery. There are still shabbily clad people to be seen, with tired and anxious faces; but almost all are wearing adequate shoes One no longer sees, as in 1947, people shuffling along in old slippers full of holes, nobody in 1949 has to stay away from work while their only pair of shoes is mended. There is enough to eat, and no one goes hungry; children are no longer thin, with a curious yellow tinge to their skins. In 1947 shortage of food and fuel were far more potent factors in reducing German industrial output than lack of raw materials and worthless currency There was an acute shortage of manpower, and at the same time over 290,000 unemployed in the British Zone in the summer of 1947, workers were unwilling for lack of food to change over to jobs involving heavy manual work which needed more manpower In June 1947, 30,000 workers struck near Koln, and the Trade Unions organized a sit-down protest strike of one hour in nine towns in Schleswig-Holstein as a protest against the food shortage.

Two years later, judging from the quantity and quality of food in city restaurants, it was possible to eat quite as well, if not better, than in England. In theory, coupons have to be given up for dishes which contain meat, fat, or sugar; in actual fact the coupon is not asked for, and instead an extra charge of 25 pfennig is added to the bill. High prices, however, make it difficult for the average wage-earner (or pensioner) to purchase even their rations, and their diet still seems to consist largely of bread, potatoes, and other vegetables. Many workers whose average wage is somewhere in the neighbourhood of 127 marks a month (after tax and insurance have been deducted) are in the habit of doing overtime on Saturday and Sunday (paid at a rate 25 per cent above normal wages) in order to be able to buy 'extra' items, such as a suit or a winter coat (costing on the average 150 or 200 marks respectively) or material

for curtains or something similar for the home. It is perhaps characteristic of the Germans that they do not appear to like utility (*Jedermann*) goods and prefer to save up for 'something good'. Despite obvious signs that a small section of the population are making and spending money, it was not difficult to be convinced that many people were finding it difficult to make ends meet. Indeed, the official monthly *Report* for May 1949 of the Control Commission for Germany (British Element) states that 'earnings are still lagging considerably behind the cost of living', and that a majority of the population claims that there is little left over when they have paid for the barest of life's necessities The Report also records that scarcity of money and fear of unemployment are the dominating features of economic life in the Zone The total number of unemployed at the end of May was 1,215,641, or 20,900 more than at the end of April, as compared with increases of 100,000 and 93,000 for February and March The unemployment rate is high in those Lander where there is a large proportion of refugees

Nevertheless, the contrast between physical conditions in 1947 and in 1949 remains sufficiently striking The comparatively normal and restored appearance of most cities in the Ruhr, for example, is brought home only by a visit to towns so badly damaged that no attempt has been made to clear the rubble and rebuild them. Wesel and Duren, in North Rhine-Westphalia, to take two examples only, today produce a shocking effect. It seems impossible that the people one sees about can find anywhere to live, in a desolation of rubble and wreckage In 1947 such places would have seemed little worse than many other towns and cities

Politically speaking, the summers of 1947 and 1949 both recorded an advance along the road towards German responsibility for the management of their own affairs. At the end of May 1947 a Bizonal Economic Council of fifty-four members, appointed by the Landtage on a basis of one representative for each 750,000 of the population, had just been set up, together with an Executive Committee of one representative from each Land, appointed by the Land Government. By June 1949 a Constitution had been drawn up for a West German State and arrangements made for the transfer of control from Allied Military Government to an Allied High Commission for Germany. But the 'man in the street' appeared to take little direct interest in these events. A month before the elections of 14 August 1949, there was no sign of an election campaign, and no discussion on party issues, outside very limited circles.

Matters of immediate and urgent interest to Germans in June 1947 were, within the experience of one observer, food and the

black market, overcrowding, the 'menace' of the refugees, British policy towards Germany, and the possibility of war between the U.S.A. and the U.S.S R. in the near future. The British were blamed for the food shortage, especially since the actual allocation of food rarely reached the nominal, deplorably low, ration level. Some Germans talked as if they believed it to be the deliberate British intention to starve Germany A slightly more intelligent variant of this accusation was that the British were afraid of German competition, and therefore refused to permit the import of food (and also of essential raw materials) in order to prevent German industry from getting on its feet again.

After food, denazification was the most burning topic of the day. British and American officials were doubtful that the desired ends were being attained by the denazification procedure, and many of them were acutely aware of the difficulties caused by the shortage of trained personnel, particularly in the field of education. Some were also anxious lest the thousands of ex-Nazis in the lower denazification categories (III and IV) who were then not allowed to follow their proper occupation should form a dangerous element of discontent in the population. Germans objected to denazification mainly on two grounds: first, that it was 'undemocratic' to punish people for their opinions, and secondly, that since denazification had been handed over to German *Spruchkammern*, the process resulted, not in justice, but in the settling of old scores and the elimination of business or professional rivals.

By June 1949 the difficulty of making ends meet, and fear of unemployment, were concentrating the attention of many Germans on the refugee problem They believe that it is impossible to find employment for the 8 or 9 million refugees already in Western Germany whose number is increasing at the rate of at least 5,000 a month as workers enter from the Russian Zone. To a Western Germany thus burdened, British policy has, according to German reasoning, elected to add the further burden of dismantlement Once again, as with the food shortage in 1947, the cause is said to be British fear of German competition, as much as fear of her aggressive tendencies. How otherwise can there be sense in reducing German steel output from 14 million to 11 million tons per annum, when there is already not enough steel to meet peace-time needs? The dismantling of the August Thyssen Steel Works was alleged by the German press to involve putting 40,000 men out of work, to cost 400 million marks, and to result in the elimination of 11 per cent of the total German steel output. Why, asked an article in *Die Zeit* (12 May), do the Occupying Powers declare that military security is the object of this dismantling policy, 'as if there were no Ruhr Statute, no Security

Board, no Combined Steel Group?' And the same article went on to argue that this kind of policy, taken in conjunction with the presence of so many million refugees, must 'proletarianize' Western Germany, and a low standard of life, with its resulting economic and social tension, would prove a greater danger to peace than an efficient German steel industry.

So run the arguments of the German press and of German trade unionists and others. They are strengthened, and suspicion of British motives is increased, by the fact that Americans, both officials in the Bizone and publicists in the United States, have not concealed their dislike of this British policy. Here is an example of this type of American criticism

> The policy [i e dismantling] adopted in 1945 had two main objectives laudable enough in theory. to provide compensation for industrial equipment destroyed by the Nazi invasions and looting, and to reduce Germany's war potential But when there is a justified suspicion that the British and the French, under the cover of this dismantling theory, aim to wreck or prevent the rebuilding of German plants which have no connection with German war potential, but which might be formidable competitors, there is a natural resentment and charge of Allied hypocrisy .. It takes a year or more to dismantle, transfer, and set up an industrial plant .. and meanwhile its possible contribution to European recovery is wholly lost . . . and dismantling prevents or delays Germany's becoming self-supporting When Marshall Plan aid began to be extended to Germany, it seemed ludicrous to be putting in American funds to help Germany recover at the same time that factories were being removed from the country [1]

The article, by a professor of history at Harvard, from which this quotation is taken goes on to refer to the findings of the American Humphrey Commission, which advised that 167 plants originally scheduled for dismantling should be left intact—a suggestion to which Britain and France refused to agree

It would be quite untrue, however, to suggest that German dislike of the dismantling policy, and the resulting anti-British feeling, is solely due to fear of unemployment. It is also a prestige question, which rouses nationalist sentiment. The visitor is frequently asked why the new dismantling agreement was made just when a new German State had come into being, and when a Council of Europe, the first stage on the road to European union, was about to meet, or why, at least, the British do not take more trouble to explain to the German people all the good reasons for their action and its timing. The following paragraph in the June 1949 issue of the Control Commission's Report suggests that the

[1] Sidney B Fay, 'Germany, Spring 1949', in *Current History*, May 1949

validity of this last German criticism may have been recognized: 'In order to counteract it [German propaganda] and to correct misleading statements, it has been arranged that before commencing the dismantling of any further factories . . . plans will be publicized for the re-starting of industry in the works affected and for the direction of labour into alternative channels'.[1]

Nevertheless, much of the criticism directed against the Occupying Power in 1949, as in 1947, threw more light on the critics' state of mind than on the undoubted mistakes in British policy.

Perhaps it is natural that there should be German resentment against the Allies, and readiness to blame them, not only for their 'unjustifiable' attitude towards the German people, but also for Germany's present difficulties The presence of millions of refugees in Western Germany is a problem which impinges, directly or indirectly, on the great majority of the population. They cause very serious overcrowding; up to the present time they constitute a burden on the economy, since their skill cannot yet be used to the full, chiefly because of lack of accommodation near industrial centres Many of them come from Silesia and East Prussia, and not all of them have yet given up hope of returning home; some are bitter against the Allies, whom they hold responsible for the loss of Germany's Eastern territories. Among these, living in reduced circumstances, with no prospects, are members of the present generation of the former 'officer' class

The shortness of German memories as to the original cause of these present misfortunes is disturbing, but it is only fair to add that it is disturbing also to some German individuals, though they may be in a minority Another tendency in German thinking, more clearly discernible in 1949 than in 1947, is a determination to find a shortcut to perfection, a 100 per cent certainty, while neglecting the imperfect instruments through which some progress might gradually be achieved. This 'perfectionist' point of view is expressed in various ways, positively, in admiration for a 100 per cent efficiency—such as was achieved by Goebbels, for instance, in his control of the press, and by Hitler in attaining so many aims of German foreign policy without war Negatively, this passion for perfection shows itself in unwillingness, for example, to join a political party with whose policy the individual does not find himself a 100 per cent in agreement But the very people—often young men and women—who were uninterested in the imminent elections only a month beforehand, who were not members of a political party, and whose support for the new German Government in its endeavours gradually to improve the

[1] *Monthly Report of the Control Commission for Germany* (*British Element*), Vol IV, No 5, March 1949, p. 47

situation in Western Germany and to win a place in the Council of Europe will be at best passive, were nevertheless enthusiastic supporters of the idea of World Government.

Apart from this passion for perfection, perhaps one of the most striking German characteristics, to a British visitor, is the lack of 'public spirit', of a community sense. This is not the same thing as to say that there are no public-spirited Germans undertaking voluntary work for the community. They certainly exist, and are working hard And, as elsewhere, there are groups of like-minded people forming societies, religious and youth groups, student societies, committees. Perhaps the schools provide the best illustration of this absence of public spirit. In 1947 they were handicapped by an almost complete lack of equipment, text-books, pencils, exercise-books; it was difficult for lessons to be conducted by anything but the most old-fashioned method, with the teacher imparting information which the pupil must absorb. Moreover, as a result of denazification eliminations, the majority of teachers reinstated were too old, some of them having been recalled to duty after a spell of retirement, which inevitably meant that out-of-date methods were used.

Today younger teachers have been trained, and the worst shortage of books and material aids to teaching has been overcome. Students in teacher-training colleges are keenly interested in what are to them new educational experiments, such as, for example, the Dalton Plan, and in other ideas which aim at giving the pupil greater means of self-expression But what still seems to be lacking is any attempt to develop in the children the sense of being part of the community by practical rather than by purely theoretical means. There are indeed committees of elected representatives for form and school, but they often do not know what they are supposed to do or be There are few of the debates, brains trusts, school parliaments, and other activities which are so familiar in Britain. Many teachers seemed to have no idea of how to start the children off on the right lines, though they recognize in principle the need to stimulate a civic sense in their pupils. University students have little time or energy for activities or interests outside their academic studies; not only must they get through their course in the shortest possible time in order to begin to earn a living, but they must take some kind of job during their vacation to earn their keep. Moreover, there are still too many professors who look on themselves as guardians of the highest of high German academic traditions, not appreciated at their true value by British and American Occupation authorities. In their jealous conservatism they often appear to be supporters not only of academic, but also of nationalist traditions.

It would be absurd to pretend that British ideas and traditions —the British way of life—could or should be transplanted to another European country. The most that can happen under Occupation is that individuals can, and do, influence other individuals with whom they come into contact. Yet the development of a community sense in Germany is to the British mind an essential pre-requisite of the proper working of democracy there. It is not without significance that newspaper reports of the elections in Western Germany on 14 August said that German youth was conspicuous by its absence from the polls. The absence of youth was probably due to a combination of this passion for perfection (and its consequent dislike of party politics as a dirty game) and lack of civic sense .The same factors are perhaps also responsible for the tendency to form small 'independent' groups of 'like-minded' people, pursuing some particular interest.

'Quite apart from the healthier, if noisier, forms of nationalism practised by the major parliamentary parties, there is enough activity by groups hostile, indifferent, or superior to the whole parliamentary game to make a coherent and depressing picture."[1] The election results might at first glance seem to falsify this description of the political campaign which preceded them. The fact that 78 5 per cent (an unexpectedly high total) of the electors went to the poll is certainly an encouraging sign. On the other hand, the smaller parties—excluding, that is, the Christian Democrats, Social Democrats, and Free Democrats—together received nearly one quarter of the votes cast. The Right-wing German Party and German Right Party together won 22 seats. Equally striking is the high percentage of votes cast in Bavaria for the Economic Reconstruction Union led, by Herr Loritz, and the Bavarian Party, which together have 29 seats 'Not only did 682,000 Bavarians vote for Herr Loritz's excitable mixture of rhetoric and sensationalism, but 987,000 voted for the Bavarian Separatists whose "nationalism" is not less violent for being restricted to Bavaria.'[2] This article has not attempted to discuss party politics in Western Germany, nor, therefore, to give a considered estimate of the consequences of the elections; but it must be clear to any one who knows post-war Germany that, economic difficulties apart, it is by the success of the major political parties in overcoming the lack of interest in parliamentary government, coupled with an active dislike of it among certain groups, far more than by any particular set of policies pursued by the newly-elected Government in the immediate future, that the chances for democracy in Western Germany must be measured.

H. G. L.

[1] *The Manchester Guardian*, 9 August 1949. [2] *The Times*, 16 August 1949.

MUSICAL CHAIRS IN SIAM[1]

IF the political aptitude of a nation can be measured by the degree to which its policies have proved successful, the Siamese leaders in the last hundred years have shown themselves to be exceptionally skilful During the period of Western expansion in the Far East Siam was the only country in South-East Asia which succeeded in retaining her independence, and today, while virtual anarchy reigns in Burma, and Malaya, Indo-China, and Indonesia are faced with Communist or Nationalist risings, Siam remains prosperous and comparatively immune from such political problems. Can this immunity from the ills which have beset her neighbours be explained as a fortuitous dispensation of providence, or does it reveal superior statecraft on the part of her leaders?

HISTORICAL INTRODUCTION

A study of Siamese history in the last century reveals two fundamental principles upon which policy has been based These are, first, the preservation of her neutrality by playing off one great Power against another, and secondly, the maintenance of a stable government with a sound economic policy, so as to afford no pretext for foreign intervention, either to restore order or to obtain an economic stranglehold on the country. These two basic principles of policy, both designed to preserve the independence of Siam, may be said to have been initiated by King Mongkut, who came to the throne in 1851 He recognized that if Siam were to avoid the fate of other Eastern nations she must come to terms with the West and learn Western methods. He therefore concluded treaties of friendship and commerce with all the leading Powers and engaged foreign advisers to reorganize the administration on Western lines. These advisers were carefully selected to ensure that no one nationality predominated and thereby assumed too great an influence As a further precaution the chief adviser was always an American, since the United States at that period was

[1] In May 1949 Marshal Pibul announced that Siam should in future be known as Thailand, and the Siamese Embassy in London made an official notification to this effect in June The official name of Siam had already once been changed to Thailand, in 1939, also on the initiative of Marshal Pibul, who stated then that he hoped to unite the Thai people on both sides of the frontier under one rule In 1946, as a sign that these aspirations had been abandoned, the name was changed back to Siam The latest change has met with a certain amount of protest owing to its war-time associations, so, as it has not yet been approved by Parliament and the King, and therefore has not yet become law, the name Siam has been used throughout this article For a Siamese protest at the change see *The Standard*, 4 June 1949 (published in Bangkok), p 10

considered the least aggressive of the Western nations. By introducing internal reforms modelled on the West, by sending Siamese students to Europe and America for education, and by a skilful policy of playing off one Power against another—usually Great Britain against France—King Mongkut and his successors preserved the independence of their country. This period of enlightened despotism (for the reforms did not affect the absolute position of the monarch) lasted until the *coup d'état* of 1932, when the absolute monarchy was replaced by a constitutional one.

THE COUP D'ETAT TO THE PACIFIC WAR

It was ironical that the men who staged the *coup d'état* which was to end the power of the royal house were largely drawn from the new class of intelligentsia brought into being as a result of the royal education policy. These Western-educated Siamese (mostly of noble birth) who were dissatisfied with the small part they were permitted to play in the affairs of their country—for the government was in the hands of the King and members of the Royal family—combined with a group of Army and Navy officers to seize power and introduce a 'constitutional' system of government into Siam.

The *coup* was carried out with the moderation and lack of bloodshed which appears to be a characteristic of modern Siamese revolutions This was doubtless partly due to the peaceable disposition of the Siamese and to their traditional courtesy, which was revealed in the ceremony in which the 'promoters' of the *coup d'état* made a public statement acknowledging the many benefits Siam had received from the royal house and asking the King's forgiveness for any discourteous remarks which might have escaped them in the heat of action. But probably a more potent factor in favour of moderation was the fear that a political upheaval would invite foreign intervention—the bogey of all Siamese statesmen.

The new Constitution reduced the power of the sovereign to that of a constitutional monarch, precluded royal princes from holding any political office, and provided for a single-chamber legislature half of whose members were to be elected by popular suffrage, the remainder being appointed, nominally by the Crown, but in fact by the members of the so-called People's Party which had carried out the *coup d'état*. These reforms constituted a step in the direction of democracy, but the Government was still not democratic in the Western sense, nor was it claimed to be, for although the 'promoters' had labelled themselves the People's Party theirs was in no sense a 'popular' rising. The general public was illiterate, politically untutored, and totally indifferent to

changes in government in which it played no part. An interim period of tutelage was therefore proposed, to last about ten years, until the people were considered ripe for a democratic form of government. The 1932 *coup* was really a palace revolution which resulted, not in popular government, but in a transfer of power from the Crown and royal family to the small group of aristocratic intellectuals and Army officers known as the 'promoters' who engineered the conspiracy and who have remained in power ever since.

They included two outstanding personalities, Nai Pridi Panomyong[1] and Field-Marshal Luang Pibul Songgram, each of whom has played a leading part in the country's affairs ever since At times indeed it has appeared as though Siamese politics could be almost reduced to a duel for supremacy between these two Both studied in France, Pibul as a soldier and Pridi as a lawyer, and both helped to organize the *coup d'état.* During its execution, however, and in the negotiations which followed, Nai Pridi the civilian and the leader of the intellectuals appeared to have the greater influence, although neither at first openly assumed control The first Prime Minister, Phya Manopakorn, was not drawn from the ranks of the 'promoters', who with a modesty unusual in a revolutionary party had announced that they were conscious of their political inexperience and would therefore invite former administrators of good repute to take part in the Government Manopakorn proved too conservative for the 'promoters', however, and an attempt to suspend the new Constitution caused his downfall. He was replaced in 1933 by Phya Phahol (Colonel Phya Phahol Pholphayuha Sena), one of the leading military participators in the *coup d'état*, who remained in office until December 1938 preserving the balance between the liberal faction headed by Pridi and the military faction led by Pibul. During this period constructive reforms were introduced, particularly in the spheres of education, local government, and the tariff system. A drastic economic policy advocated by Nai Pridi, which envisaged the nationalization of land, caused much controversy and culminated in Pridi resigning his government position and leaving the country for a short period, but despite this minor setback he still retained considerable influence in the government. Meanwhile the military faction headed by Pibul was gradually assuming control, having contrived to place its adherents in key posts, and on the retirement of Phya Phahol in 1938 the new Government was headed by Pibul.

[1] At this period Nai Pridi Panomyong was usually referred to as Luang Pradist Manudharm, but since the war he has elected to discard this title, it therefore seems less confusing to call him Nai Pridi throughout this article

Under the Pibul régime many of the democratic features of the earlier Government disappeared. These changes were introduced gradually, and a number of 'liberals', including Pridi, were allowed to remain in office, probably in order to maintain a façade of democratic government. But by 1941 Siam had become a military dictatorship, and Pibul openly referred to himself as 'Leader' of the Siamese people after bringing his country into the war on the side of Japan.

The reasons which prompted this step are uncertain. In the beginning of the century Japanese influence was not strong in Siam. The Siamese, like all Asian nations, had applauded Japan's triumph in the Russo-Japanese war, but they continued to send their sons to Europe for education and to choose mainly Western advisers. In the early 'thirties, however, partly because it was cheaper and Siam was suffering from the depression, an increasing number of students went to Japan. Japan, on her part, wooed the Siamese assiduously, offering scholarships to students and free visits to Japan to journalists, and organizing a succession of economic and cultural missions stressing the ties between the two countries. At the same time the Japanese Naval and Military Attachés—and it was significant that Japan was the only foreign Power to be thus represented—kept Siam fully informed of the military strength of Japan.

The effect of this policy was first apparent in 1933 when the Siamese delegate to the League of Nations was instructed to abstain from joining in the vote of censure on Japanese aggression in Manchuria This gesture has sometimes been cited as the first indication of a pro-Japanese policy. It seems more probable, however, that the Siamese leaders, recognizing the advent of a new and aggressive Power in the East, resorted to their traditional policy of equilibrium.

Since the strategic position of Siam afforded an obvious springboard for a Japanese invasion of Malaya, Pibul was faced with three possible courses. He could have followed Siam's much-vaunted policy of resisting foreign aggression from any quarter. Or he could have adopted an attitude of dignified protest, possibly offering a token resistance similar to that of such countries as Denmark or Luxembourg in the face of German aggression. Instead, he elected to enter into 'voluntary partnership' with Japan, hoping thereby to preserve at least a measure of independence. This decision involved violation of the non-aggression pact with Great Britain which Siam had signed in 1940; and the assumption of a Western defeat on which it was based was to prove false. Nevertheless Pibul's action undoubtedly spared Siam the full impact of war and its attendant miseries.

The Japanese used Siam as a military base, but interfered little in internal administration. The Siamese on their part showed no enthusiasm for their Japanese 'allies' despite the latters' favourable intervention in the Franco-Siamese boundary dispute in 1941 and the bribe of four Malay and two Shan states in 1943. Indeed, as the war progressed and conditions deteriorated Pibul became increasingly unpopular. Meanwhile, his rival Pridi, who was secretly organizing a Free Thai resistance movement, was rapidly regaining influence. In the middle of 1944 Pibul found it expedient to resign, the ostensible reason being an adverse vote in the Assembly. He was replaced as premier by Kuang Abhaiwong,[1] although Nai Pridi, who held the position of Regent,[2] was the most powerful influence behind the new régime. During this last phase of the Pacific War the Abhaiwong Government, while nominally collaborating with Japan, took the first steps in restoring the democratic liberties which had been suppressed by Pibul

THE POST-WAR PERIOD: INTERNATIONAL RELATIONS

Upon the surrender of their nominal ally Japan, the Siamese leaders were faced with the task of reinstating themselves in the favour of the victorious Western Powers Owing to their passive rôle in the war and to the activities of the Free Thais they had aroused but little animosity among the Allies, and indeed the United States had never even acknowledged the Siamese declaration of war, which had been repudiated by the Siamese Ambassador in Washington as not expressing the will of the people. The Americans thus considered Siam to have been an enemy-occupied rather than an enemy country, and post-war relations between the two countries were therefore cordial from the outset.

The British attitude towards Siam was at first rather less lenient than the American, perhaps because British territories had been directly affected by her war-time activities, first through the adverse effect on the Malayan campaign of Siamese collaboration with Japan, and secondly by Siam's appropriation of Malayan and Burmese territory in 1943. But a peace treaty was eventually signed in January 1946.[3] The terms included the restitution of British territory annexed by Siam, compensation to British subjects for losses and damage to property, and reparations in the form of surplus rice to a maximum of 1,500,000 tons which was designed for the relief of deficit areas in South-East Asia. In practice this last clause had to be considerably modified. Consign-

[1] Kuang Abhaiwong, who was also a 'promoter', belonged to the Democratic Party and was a member of the Free Thai resistance movement

[2] King Ananda Mahidol was at school in Switzerland throughout the war

[3] For details of the preceding negotiations see 'Britain and Siam. The Latest Phase', by Alec Peterson, in *Pacific Affairs*, December 1946.

ments of 'free' rice were so slow in coming and of such poor quality, and the world shortage was so acute, that in May 1946 Great Britain agreed to purchase the rice, after which deliveries improved. Since then relations between Great Britain and Siam have become increasingly friendly, particularly during the last year, when the two countries have co-operated on the Malaya-Siam frontier in the common fight against Chinese Communists.

The signing of the Anglo-Siamese Peace Treaty was the prelude to the re-opening of diplomatic relations with the Western Powers. The next step was to gain admission to the United Nations, but France, from whom Siam had seized territory in 1941, had first to be propitiated. In the Franco-Siamese Treaty of 1907 under which Siam had ceded territory to France she had agreed to respect the boundaries then laid down; but the provisions of the Treaty had always been unpopular in Siam, so Marshal Pibul exploited the period of French weakness to demand a Treaty revision in Siam's favour, and in 1941, under Japanese pressure, the Vichy Government had agreed to her demands. After the defeat of Japan frontier incidents occurred and Siam hoped to refer the question to the Security Council for arbitration, but France, supported by Britain and the United States, insisted on a direct settlement and the return of her stolen provinces, threatening to veto Siam's application to the United Nations unless she complied. An agreement was signed between the two countries in November 1946, and diplomatic relations were restored. Even since the settlement, however, minor frontier incidents have taken place, usually caused by French soldiers or police crossing the frontier in pursuit of Vietnamese fugitives

Since the surrender the Soviet Union has shown signs of assuming Japan's former rôle as counterpoise to the Western Powers in the traditional Siamese policy of equilibrium. Although Soviet commitments in Siam, and indeed in the whole of South-East Asia, are negligible, the Soviet Union has assumed a new importance in this area owing to two factors. her ability to veto prospective candidates to the United Nations, and her probable influence on local Communist movements. Considerable speculation was therefore aroused in the beginning of 1947 when it was announced that the Soviet Union was resuming diplomatic relations with Siam and opening a Soviet Legation at Bangkok. The new Legation was suspected of providing cover for Communist intrigues in South-East Asia, and, since the post-war Siamese Governments have otherwise taken energetic steps to prevent the spread of Communism, the Legation was rumoured to be the price exacted by the Soviet Union for not opposing the admission of Siam to the United Nations in December 1946.

POST-WAR INTERNAL POLITICS

Upon the Japanese surrender the war-time Government resigned in favour of a caretaker Government, which in turn was replaced by two short-lived Governments, the first headed by Seni Pramoj (Mom Rajawongse Seni Pramoj), war-time Ambassador to the United States, and the second by Kuang Abhaiwong, who had succeeded Pibul as war-time Prime Minister. During this period the rising star of Pridi's influence reached its zenith. He was created an Elder Statesman and his followers, chiefly members of the resistance movement, controlled the country But he did not assume the premiership until the resignation of Kuang Abhaiwong in March 1946.

It was felt that the time had come to replace the period of tutelage, which had long exceeded its allotted span, by a more democratic form of government, so a new Constitution was drafted in 1946 which provided for a bicameral system whose members should be elected by popular vote. As a concession to the appointed members then in office it was arranged that the members of the existing Assembly should elect an interim Upper House This resulted in virtually all the appointed members of the Assembly being elected to the Senate or Upper House of the new National Assembly, which was empowered to initiate legislation and pass a vote of confidence, but not of censure. Other constitutional changes included the omission of the clause excluding members of the royal family from politics.

Elections for replacing the nominated members in the Lower House were planned for August 1946, but on 9 June an event occurred which has to remain an issue in Siamese politics ever since. The twenty-year-old King, who had returned from Switzerland the previous December, was found dead in the palace with a bullet wound through the head. Six hours after the body was discovered the Government issued a communiqué stating that the King's death was due to an 'accident' while handling a revolver But this explanation was not supported by the evidence of the medical commission which conducted the post mortem, and rumours that the King had been assassinated became widespread. At the same time a whispering campaign suggesting that Pridi and his followers were implicated aroused popular feeling against them This sentiment became so pronounced that on 21 August Pridi resigned with his Cabinet, although the elections for the Lower House at the beginning of the month had resulted in a decisive victory for his party.[1] He was succeeded by Rear-Admiral Luang Dhamrong Nawasawat, also a 'promoter' and one of his

[1] The Constitutional Front, a coalition of the Constitutional Party and the Co-operative (Sahacheep) Party.

ıpporters, for the Siamese Navy, in contrast to the Army, has :tively supported Pridi.

King Amanda Mahidol was succeeded by his brother Phumiphon duldet, who returned to Switzerland shortly after his accession) continue his education, a Council of Regents being appointed in is absence since he was not of age. A public commission of iquiry was set up to investigate the cause of the late King's death, ut its inconclusive findings did nothing to allay popular sus- icions. They were the more easily aroused as the adherents of ridi, who had dominated the political scene since the surrender, ad become increasingly unpopular. They were accused of in- ɔmpetence and corrupt practices, and of storing arms supplied uring the war by the Allies for use at a future date.

In April 1947 Pridi formally resigned from the Assembly and ı the same month Pibul, who had escaped conviction as a war riminal,[1] announced his return to politics as leader of the 'Right Might' (Tharmathupat) party. Seven months later with army ıpport he seized power in a *coup d'état* on 2 November. A state f emergency was declared, and a number of Pridi's supporters 'ere arrested on charges of having plotted the overthrow of the .ing in favour of a Republic, but Pridi himself escaped abroad 'ith naval connivance Nai Kuang Abhaiwong was appointed remier and his position was confirmed in January by popular lections This apparent adherence to democratic procedure llayed the fears of the Western Powers, who had at first shown :luctance to recognize a government imposed by force and domin- ted by Pibul These fears proved justified, for having once :cured foreign recognition Pibul assumed the Premiership after is supporters had forced the Abhaiwong Government to resign. .fter initial hesitations, however, his Government was in turn ecognized by the various foreign Powers. Marshal Pibul has emained in control ever since, and the increasing prosperity of iam under his Government has won the reluctant approval of ıost foreign observers as well as consolidating his position within he country, although this is still based primarily on military upport.

It must be admitted that Siam's prosperity since the war has 'een largely based on her position as one of the two chief rice- xporting countries in a time of general rice shortage. While it is ıot proposed to elaborate on what is really an economic subject, it vould be unrealistic to avoid mention of rice exports since these ıave been the trump card in the Siamese political hand. Although iam was a loser in the war, she is today the most prosperous

[1] The Siamese Courts ruled that the law governing such crimes could not be ıade retroactive.

country in South-East Asia. She owes this position to her ever-increasing exports of rice and the consequent dollar and sterling earnings which have enabled her to buy machinery and build up the country's economy. At the same time credit must be given to the Siamese leaders for maintaining a comparatively stable government which has encouraged production, in contrast to the disturbed political conditions which have hampered the export of rice from Burma and Indo-China. Moreover Siam has also had to contend with political problems, for the Malays and the Chinese, the two most important minority groups, have both been responsible for disturbances.

After the war the Malay population in the four southern states of Siam, numbering about 700,000, who had been hardly treated under the earlier Pibul administration, demanded cultural concessions including freedom of worship, the teaching of Malay in schools, and the appointment of Muslim administrators. There was also an irredentist movement which favoured incorporating the four states in the Federation of Malaya. Serious disturbances occurred in April 1948 when 1,000 Malays were reported to be in armed revolt, and order was only restored after military action had been taken Following these disturbances, however, the Siamese Government had the wisdom to appoint a commission of inquiry into Malay grievances, and as a result of its recommendations various reforms have been introduced.

The Chinese population, on the other hand, numbering 2 to 3 million, constitutes a more serious problem, for the habitual antagonism towards the Chinese on economic grounds has lately been reinforced by fear of their political affiliations with the Communist movement. During 1948 discrimination against the Chinese population provoked diplomatic protests from the Chinese Government In November it was reported that the Chinese immigration quota would be drastically reduced, and in February 1949 regulations were introduced reserving a number of occupations for Siamese nationals. In the same month a number of Chinese were arrested in connection with an alleged Chinese Communist conspiracy.

The growing menace of Communism in Asia has caused the Siamese Government much concern, and, in addition to the above mentioned measures directed at the Chinese population, the screening of all Government Departments for Communist suspects was ordered last October. The Siamese Government has also worked in close collaboration with the Government of Malaya with a view to preventing the infiltration of Chinese Communists from Malaya, and has received military equipment from Great Britain for this purpose. The Siamese population has shown little

inclination towards Communism, probably because the country is prosperous and not over-populated and most of the peasants cultivate their own land. Moreover, since Siam is independent there is no nationalist movement to provide fruitful soil for Communist doctrine as elsewhere in South-East Asia.

The followers of Pridi have made two abortive attempts to overthrow the Pibul régime. On the first occasion (September 1948) their indignation had been aroused by the re-opening of inquiries into the King's death followed by sensational accusations implicating Pridi and his secretary in his murder. The conspirators seized the Defence Ministry but were surrounded and surrendered after a nominal resistance Order was soon restored and a number of arrests were made. The second attempt, which took place last February, was also doomed to failure, for the Government was on the alert, having declared a state of emergency a few days earlier to meet the Chinese Communist conspiracy already mentioned. A number of people were arrested but Nai Pridi once more evaded capture. This latest *coup* resulted in more serious casualties than is customary in Siamese revolutions, which traditionally avoid bloodshed, owing to a sudden flareup of Army and Navy antagonism which resulted in street fighting between soldiers and sailors. Order was only restored after Marshal Pibul had intervened personally, supported by senior officers of both Services A commission has since been appointed to inquire into the causes of ill-feeling.

In the last few months the political situation appears to have been comparatively peaceful The new Constitution, which has been amended to strengthen the position of the monarch and modify the powers of the Senate, was ratified in March. Its promulgation was planned for July but the final date was to be chosen by the astrologers to ensure that it was auspicious. The state of emergency ended in May, and in the end of June Marshal Pibul was re-appointed Premier following his resignation at the opening of Parliament in accordance with Siamese constitutional procedure.

There is a Ruritanian atmosphere about politics in Siam, with its clash of personalities, its intrigues, and the mystery surrounding the King's death. But if her light-hearted statesmen escape from dances in disguise following a rival's political *coup*, or plan 'bloodless' revolutions as though they were moves in a game of chess, it should not be forgotten that they have also proved exceptionally skilful in bringing their country almost unscathed through a period of world chaos.

S. H.

PERSIA REVISITED

A NINE months' stay in Persia, covering 8,500 miles by car and visiting all the important towns of the plateau, affords many new impressions, even, or perhaps especially, if one has known the country well in the past This article will not attempt to give a general overall picture, but will confine itself to picking out a few of the salient features of the Persian scene today.

COMMUNICATIONS

The person who travels by car in a country like Persia is interested from the first day, and day by day, in the condition of the roads These proved surprisingly good Most of the trunk roads had been rebuilt by the Allies during the war; and some of them had been asphalted. On a previous visit to Persia in 1946 the asphalt was beginning to show signs of wear, and it seemed as if the Ministry of Communications was allowing it to disintegrate. But now the potholes have been filled and the corrugations flattened. More than that, the asphalt has been extended by the Persians from Kazvin to Tehran, and from Tehran to Qūm And work has been started on the road from Qūm to Ispahan. The Seven-Year Plan makes provision for the asphalting of all the trunk roads of Persia Such an undertaking would quickly pay for itself by the saving in time, petrol, and tyres, and in wear and tear on vehicles.

The non-asphalted trunk roads, too, are on the whole quite good. Ordinary macadam has been a failure in Persia The icy winters and the short but tempestuous rainy season—followed by many months of burning heat—break up the surface; for there is not enough moisture in the air to bind it. The Persians, with their traditional technique of trial and error, have devised a method of surfacing their macadam roads which may sound absurd, but which works surprisingly well· they cover the surface with two inches of loose gravel This never binds; but as soon as it is cut up by the traffic, gangs of men with spades and rakes smooth it out again. The loose gravel is hard on tyres, but cars can run over it at a speed of fifty miles an hour without difficulty.

Not much has been done recently in the way of building new trunk roads, the only one encountered on this particular tour was a road from Kirman to Bampūr. But the Ministry of Communications is fully alive to the importance of extending the road system, and, like all spending departments, it has its eyes on the Seven-Year Plan. It was surprising, however, to see how many secondary roads had been built—or rather improvised—for joining the villages with the trunk system. A few of these are State enterprises,

but most of the work has been done by the local Khans who have urged their peasants to widen and level out the tracks so that grain can be moved by lorry to the towns. Many villages are now accessible by car which formerly could only be reached on foot or on horseback.

So much for the roads. To turn to the railways: development in this direction is proceeding slowly but steadily. The Tehran-Meshed line is in operation as far as Shahrūd. From there work is proceeding on the embankment and culverts and should be completed by 1950, as there are no bridges of any importance to be built. Deliveries of rails, hitherto much delayed, are now coming forward. The line will therefore probably be in operation by 1951.

The embankment of the Southern line—which branches off from the Trans-Iranian at Qūm—was finished some years ago as far as Yazd. But the work could not be completed because of the lack of rails. That difficulty has now been overcome, and the work is going forward fairly fast. The Qūm-Kashān section was opened a few weeks ago; and another year should bring the rails to Yazd. It is planned to carry the line on to Kirman, and thence to Bam, Bampūr and Chahbar Bay, which is the best harbour on the Makran coast. The bay is almost circular and extends about ten miles inland. There is good protection for ships from the summer monsoon and from northerly winds. Unfortunately few areas on this earth are more dolorous than the hinterland of Chahbar Bay.

The Northern line—Tehran-Kazvin-Zenjan-Mianeh-Tabriz—reached Mianeh in 1941; but there it stopped. And the Persians appear to have no intention of carrying it further, at any rate until their relations with the U.S.S R. are happier than they are at present. Tabriz is, of course, already linked with the Russian system by a perilous line over which trains used to move at odd moments But even those trains have ceased. Clearly the Persians have no intention of connecting this Tabriz-Julfa segment with their main system

The section between Kazvin and Mianeh, although complete with embankment, culverts, sleepers, rails, and neat little stations, gave no sign of life. Driving parallel with it for many miles on the way to Tabriz and back, not a train, a coach, a freight car or an engine was seen. This may be because Mianeh is a small place, unsuited to be a railhead and without storage facilities

MORALE

On a previous visit to Persia in 1946 the writer found a general atmosphere of low morale—pessimism, irresolution, and despair were widespread. At that time the Tudeh Party, with Russian support, was fomenting disorders wherever it judged that the

terrain was favourable. An insurgent Government, under the aegis of Russia, had seized power in Azerbaijan; and the central authority, unable to suppress the insurrection, had negotiated an appeasement treaty with the rebels. Fars was in revolt; and there, too, the rebels had been appeased with promises. There was a serious outbreak of violence in the oil fields. A new Majlis was about to be elected, and it looked as if the Tudeh Party might either win outright or else gain sufficient strength to seize power, with Russian support. The formation by the Tudeh Party of a 'Freedom Front' was a familiar and ominous manoeuvre.

It was not surprising, therefore, that under these conditions morale in Tehran should be at a low ebb. Most thinking Persians believed that their country was about to go the way of Poland and the Balkan States. For them the end was in sight. Only those were at ease who cherished the mystic formula that 'Persia had seen many crises in her history yet she had survived them all'.

Strangely enough, they were right. Not only did Persia survive, but she is very much alive today The question is often asked how it came about that the Russians so passively accepted the disruption of their careful plans, and particularly the overthrow of their puppet government in Azerbaijan The answer may well be that they were taken by surprise It will be remembered that before Qavam ordered the troops to march into the province the Soviet Ambassador had warned him against any such movement. The fact that the warning was given is an indication that it was regarded as sufficient; for presumably the Ambassador would not have deliberately laid himself open to a snub. No doubt the Russians further reasoned that if Qavam, in spite of their warning, should order the troops to advance, the Azerbaijan Government (which had issued the usual 'Do or die' formula) would put up a fight, and might give the Soviet Government a pretext for re-entering Persia to restore order.

Qavam, however, to his credit, ignored the warning. He had taken the measure of the Azerbaijan Government, and he had secured—in the accepted Persian manner—a number of friends in the enemy's camp. So the order was given, the troops marched in, and the Azerbaijan Government collapsed. Tabriz was occupied, and the insurgent Ministers had fled across the border almost before the Russians were aware of what had happened. Moscow must have hesitated a long time before deciding that it was wiser for them to take their medicine. The Russians have, after all, a monumental patience.

The re-entry of Azerbaijan into the fold was received with jubilation throughout the country. The Tudeh Party was everywhere in retreat. Its leaders were either arrested or else retired into

harmless obscurity. There was a feeling everywhere that the Soviet plans had been upset, and for the time being, at least, there was nothing to fear from Russia. The barometer of Persian morale began steadily to rise.

With few momentary setbacks it has been rising ever since. Two main causes have contributed to the persistence of the upward movement: first, the steady support of the United States; and second, the emergence of a Western Union, followed by the signature of the Atlantic Treaty. Persia no longer feels that she is isolated and at the mercy of her neighbour. By reason of America's interest and support she regards herself as a link in the long chain which, beginning in Scandinavia, carries on through Britain, France, Italy, Greece, and Turkey, to herself. Her new-found confidence is manifested in a marked degree by the tone of her recent replies to offensive broadcasts from Moscow Persia now gives as much as she gets. Such a bearing would have been inconceivable a few years ago.

So much for morale. It merits attention, not only because it is an indication of the trend of affairs in Persia itself, but also because there, more than in any other country, Soviet influence and power have received a definite check and are for the moment in retreat. The retreat may not be lasting, but it is unmistakable.

In spite of the undoubted improvement in morale, as compared with the deplorable pessimism of 1946, the incorrigible Persian propensity for leaning on somebody else nevertheless persists. It is one of the less agreeable characteristics of that agreeable people. Typical of this were some of the questions asked. For example, such and such a statesman, politician, individual or group was known to be pro-British. Yet he had received no support from the British Embassy. Why? Or, if a moderate socialist party were formed, would it receive the support of the Foreign Office of the British Labour Government? Such questions were usually answered firmly in the negative—with the suggestion that perhaps what Persia needed most was not statesmen, politicians or parties which leaned on Britain or Russia or the United States, but which walked on their own feet.

FREEDOM

Persia, like many of the Asian countries, is groping towards democracy on the Western model. In measuring her advance, however, it should be borne in mind that she was governed through many centuries by semi-benevolent and often somnolent oriental autocracies, followed by the dynamic tyranny of Riza Shah; and that this was followed, in turn, by the tyranny of the occupation forces. The last of these was withdrawn in 1946, but left behind it

a legacy of disruption and disorder which almost wrecked the Persian State. Only during the last three years has Persia been able to call her soul her own. It is not therefore surprising if landlords have failed to realize that they no longer possess the feudal powers which many of them, nevertheless, still attempt to exercise; or that the peasants have not yet discarded their serf mentality. Neither should Westerners be shocked if elections are manipulated or if the police are more inclined to hound than to protect the people. Ministers have still to learn that opinion cannot be stifled by suspending newspapers, and editors that restraint and dignity are their most powerful weapons.

Nevertheless, after visiting every important city and town on the plateau and conversing with people in all walks of life, the writer was persuaded that a wind of freedom is blowing across Persia. For the first time in his experience opinion was freely expressed, discussion and criticism were open and untrammelled. There was no more glancing over the shoulder or lowering the voice. Parliament, for the first time, was bullying the Executive As for the press, if controversies, criticism, and invective be indices of freedom, it is free indeed.

But, it may be asked, how can this movement towards free institutions be reconciled with two very obvious movements in the opposite direction: an undoubted recrudescence of the power of the clergy, and the re-adoption of the veil by most of the women of the country? Yet, is there really a contradiction here? The power of the clergy was broken by Riza Shah, and it was he who ordered his minions to tear the veils from the faces of the women. Both acts, however politic, were acts of tyranny. Today the clergy are free to reopen and to repair their abandoned colleges (many of them buildings of renown which were falling into wrack), to fill them with young students, and to teach and practise religion. And the women are free to cover or uncover their faces—as they choose The more sophisticated women of the capital still cling to the western mode, but in the provinces the veil is almost as widely worn as it used to be before Riza Shah's era of reform The resumption of the veil was said to be largely due to economic causes: a western dress with a western hat are costly; whereas a cotton *chadūr* is cheap, while at the same time it may effectively conceal the shabbiness of the under-garments

Another pleasant evidence of the return to sanity and freedom was found in Khurasan. The Khurasan peasant had for many centuries worn a turban, white or brown, or, if he were of holy lineage, green or dark blue. But the reforming Shah made him discard this *démodé* head-dress and affect, at first, a kind of French kepi, and later, a felt hat or cloth cap. The peasants of Khurasan

have now done away with these absurdities and have resumed their traditional head-dress.

The Persian people may propertly congratulate themselves on their enhanced morale and their broadened freedoms. But, at the same time, the candid observer cannot overlook an ethical disease which has overtaken them and which today permeates most of their activities corruption. This is, of course, a disease which is endemic in the Middle East. In normal times it is mild in character and restricted in its incidence. But in periods of war and inflation it becomes widespread and virulent. Tehran, which is the political, administrative, and financial centre of Persia, is the focus of the disease One gains the impression, after observing for a few weeks the vulgar ostentation in that parvenu city without a history, that the wealth of the country is gravitating into the hands of those who least understand its uses.

THE SHAH

The present ruler, Mohammed Riza Shah, has been described by one who has had many opportunities of meeting him at close quarters as having the makings of a very fine ruler. This seems to be the general opinion—except among those elements which take their cue from Moscow. He seems to have inherited much of his father's drive, plus a genuine attachment to the democratic system which he may have acquired from his Swiss education. He has so far steadily resisted pressure—and at times there appears to have been a good deal of pressure upon him—to assume extra-constitutional powers From time to time he makes speeches which are not the speeches that one would expect from a would-be Dictator. They are full of good sense Some months ago five bullets were fired at him by an individual whose mind appears to have become unbalanced by over-indulgence in Communist literature. The Shah endeavoured to close with his assailant and this probably saved his life. The incident, and his gallant demeanour, added greatly to his popularity. It was also a heaven-sent opportunity for the Government to round up a good many Communists and fellow-travellers who were beginning to reassert themselves after the Azerbaijan *débacle*. Martial Law was also proclaimed, and still exists in the capital.

It is interesting to find that the renown of the Shah's father, the late Shah Riza Pahlevi, is now not only admitted, but emphasized, even by the intelligentsia who support the present constitutional régime. For the magnitude of Riza Shah's achievements are there for all men to see; while the hatreds engendered by his tyranny are being forgotten. He is regarded in Persia today as the greatest sovereign since that almost legendary Prince, Shah Abbas

I. The Majlis recently conferred upon him the honorific title of 'The Great'.

THE XVTH MAJLIS

The election which followed the recovery of Azerbaijan produced a XVth Majlis which was no less humdrum than its predecessors. The Tudeh Party, which, for all its faults, was organized and possessed some ginger, was discredited. It took no part in the election and was therefore, officially at least, not represented. The majority of the new members were conservative or moderate-centre in their views. They formed a tiresome body—mainly, it must be admitted, on account of the antiquated rules of procedure which governed their deliberations. A recent leader in *The Times* referred to a filibustering exploit of a member who spoke for eight days. That is an indication of the almost unlimited licence which was permitted in the length and subject-matter of speeches But there were other anomalies no less tiresome. interpolations and votes of confidence interrupted debates with monotonous frequency; accusations and counter-accusations were flung with startling irresponsibility across the floor; worst of all, the rules governing the quorum were such that opposition groups time and again could put a stop to the proceedings at the most critical moment by simply walking out. Nevertheless, with all its faults, the Majlis is a free and independent assembly. That, in an era of so many police-ridden States, is a fact of first importance.

In February last, shortly after the attempt on his life, the Shah received in audience a number of the more prominent Members of Parliament, and informed them that, after consulting some of the Elder Statesmen of the country, he had decided to convoke a Constituent Assembly to amend the Constitution. He pointed out that under the existing system the Legislature was able to paralyse the Executive, and that it was necessary to restore the balance between these two powers of the State. The news was well received by the country as a whole. Elections for the Constituent Assembly were held with surprising speed. Within three months important amendments had been passed which provide for a bicameral in place of a unicameral legislature (already provided for in the Constitution of 1906–7, but never implemented), and which give the Shah power to dissolve Parliament—with the proviso, however, that a new Parliament must be elected and must meet within three months. The next Majlis and Senate were also called upon to amend the procedure which governs their debates, in order to permit of a more rapid transaction of business.

Furthermore, a new Bill has recently been introduced in the Majlis which requires voters to record their votes in writing on

special forms issued to them at the polling-stations. This appears to be a proper and innocent requirement. Actually it is important, because it eliminates the illiterate voter—an innovation which the Shah has been urging for some time.

The present Cabinet, under the leadership of one of Persia's most distinguished statesmen, Mohammed Sa'ed, after a shaky start has settled down to what looks like a steady innings. Mr Sa'ed may even carry his bat to the forthcoming General Election, which probably means that he will come in again. Meanwhile, there has been a good deal of talk in Tehran recently about the formation of a Moderate Socialist Party under the leadership of Taqizadé, the former Iranian Ambassador to Britain. Taqizadé is one of the most distinguished of living Persians. He is Member of Parliament for Tabriz, and there is no Deputy who is listened to with greater respect and attention. He is the leader of an important group, some of whom, at least, are urging him to try to bring about the defeat of the Sa'ed Ministry and to form a government before the election, so that his party may enjoy the privileged position of a government in power at election time But he is believed to be unwilling to make any move until he is assured of the support of a larger number of members than follow him at present. His long association with Great Britain has made him improperly suspect in the eyes of some less responsible members of the House; but his recent independent stand over the dispute with the Anglo-Iranian Oil Company may have cured his critics of that imbecility.

THE SEVEN-YEAR PLAN

The Seven-Year Plan was first proposed by the former Prime Minister, Qavam-os-Saltaneh, as part of the programme of his Democratic Party. At his instance a commission was appointed to draw up the Plan. It completed its labours about a year ago. Reckoning 200 rials as roughly equivalent to a pound, the Plan envisages a total expenditure of about £105 million sterling over seven years, or about £15 million a year. The expenditure is made up as follows:

	£
Agriculture	26,250,000
Railways, ports, roads, aerodromes	25,000,000
Industries and mines	15,000,000
Oil (the exploitation of the northern oil fields)	5,000,000
Posts, telephones, and telegraphs	3,750,000
Public utilities, municipal development, and social reform	30,000,000
	105,000,000

This is a formidable but by no means an impossible sum for

Persia to raise. It is proposed to finance it by (1) loans from the International Bank for Reconstruction and Development; (2) increased royalties from the Anglo-Iranian Oil Co.; (3) loans from Iranian Banks; and (4) private investment. The press has already pointed out that the increased royalties which the Persian Government expects to receive from the Oil Company will be enough to finance the project. An American firm of consulting engineers, Overseas Consultants, has been studying the technical side, and an economic commission the financial side, of the Plan. Meantime, the Shah has appointed his brother, Prince Abdur Riza, as supervisor of the Plan, with instructions to report to him direct.

It is to be hoped that the same methods of control will be introduced in carrying out the Plan as were employed in the construction of the Trans-Iranian Railway. In that enterprise a Scandinavian firm of consulting engineers was engaged to survey the line, to divide it into sections and prepare drawings and specifications for each section, to invite tenders for each section separately, and to see that the work of construction was carried out according to specification. The result was that corrupt practices were eliminated, so that Persia now possesses a well-constructed railway at a low cost. In the present instance it is reported that the firm of Sir Alexander Gibb & Partners, and perhaps other firms as well, will be employed as consultants.

People outside Persia may wonder how far the Seven-Year Plan is serious and is likely to be carried out. There is no doubt at all about the seriousness of the intentions of the Shah, the Cabinet, and the Majlis; nor of the support of the press Many people, however, are sceptical because they feel that there will be opportunities beyond compute for bribery, corruption, and waste It seems probable that the success of the Plan as a whole will depend mainly upon three factors: (1) the successful outcome of the negotiations with the Anglo-Iranian Oil Co.—which will go far to solve the financial problem; (2) the employment of one or more first-class firms of consulting engineers, such as Sir Alexander Gibb & Partners, and (3) the quality of the support which the consultants will receive from the Shah, the Cabinet, the Majlis, and the press. If the consultants should be subjected to attacks, obstructions, and intrigues which might render their work impossible, resignations might follow and the Plan might end in an orgy of rascality and waste. The Trans-Iranian, it must be remembered, was built during the dictatorship of Riza Shah, who gave the firm of Kamsax his full support. They did a first-class job and Persia got a good railway. It may be that Mohammed Riza Shah will give the new consultants his personal support as his father did, in which case all may turn out well, because his prestige

at present stands high in the country. As to the value of the Plan, economically and socially, taking both the long and short view, there can be no doubt whatever. If it is properly carried out it will certainly tend to raise the standard of living of the masses and will offer a potent alternative to Communism, that dark flood which has more than once threatened to engulf the country.

A. C. E.

THE ECONOMIC OUTLOOK IN INDIA

THE habitual optimist in politics must be constantly irritated by the fact that the pessimist, like a woman, is so often right for the wrong reason; his forecast of particular ills may prove to be quite unfounded, and yet his general sense of impending calamity may be reliable. Optimists with regard to India have suffered this irritation in an acute form during recent months. When the transfer of power to India took place in August 1947, many were the prophets of woe who foresaw all manner of evil after the departure of the British; law and order would break down, India would disintegrate, war with Pakistan would break out, and India would soon be gripped by a spirit of political and economic isolationism. In all these matters they were proved wrong. In spite of the growing menace of Communism, in most of India law and order are well maintained, the consolidation of the States into the Union of India has put an end to any present danger of disintegration; the Kashmir issue has not resulted in general war between the two Dominions, though it has strained relations at times almost to breaking point; and finally, India has shown a strong desire for close economic and political connection with the Commonwealth.

On all these fronts the pessimists have been routed; but a few months ago a fresh cause of gloom arose from an unexpected quarter, and prudent observers decided to postpone their cheering. Not even the gloomiest of political Jeremiahs had predicted the serious and rapid deterioration of the Indian economy and the almost complete suspension of industrial expansion, which have been so marked in recent months. Before the transfer of power the tendency in many quarters, indeed, was to turn anxious eyes to-

wards the financial position of Pakistan,[1] while taking for granted the soundness of the Indian economy. Few, if any, observers would adopt such a view now, and there is general agreement amongst those most concerned that economic India today provides grave cause for anxiety. The feeling of Indian business men was well expressed by Darab Cursetji Driver in his Taraprasad Khaitan lecture to the Calcutta University a few weeks ago. 'Our economy,' he said, 'is broken and is very sick, the nerves of the risk-taking entrepreneur class are benumbed to undertake any new enterprise and its vitality is pressed out under the weight of excessive taxation, labour legislation, and Tribunal Awards' A similar view was taken early in the present year by the Indian Stock Exchanges, whose members, in a memorandum to the Government of India, forcefully drew attention to the spectacular fall in the value of securities, the continued rise of commodity prices, and the general unsoundness of the economic position There is, indeed, almost universal agreement that the patient is sick, although opinions differ as to the causes and the treatment It will perhaps be best to begin with a brief study of the symptoms

The symptom which appeared first, and which is still the most obvious, is the failure of the Government of India, despite the most sincere attempts, to counter inflation. Prices are still rising, and in the case of some commodities they are higher than ever The 'vicious spiral' with which we are painfully familiar in England operates even more viciously in a country such as India, where standards of living are too low to provide a margin of slack which can be taken up in times of difficulty The middle classes—clerks in Government offices or in business houses and the like—were hard put to it to make ends meet even before the war; today they are almost desperate, and not unnaturally add to the general pressure for higher salaries. Cost-of-living allowances, which are very general, force up prices still further, and yet leave these classes impoverished and hopeless.

Still more serious are the present effects of inflation on costs of production, at a time when the buyers' market is returning in many parts of the world, and when India's need of earning foreign exchange is very great. The jute industry, an important pillar of India's economy, has been paying for its raw material a price so high as to make it impossible to sell abroad at a profit Jute is the ideal packing material for many commodities, but there are substitutes, and when the price of jute goes beyond a certain level the world turns to them. At the moment the mills are losing many lakhs of rupees per month, and unless the price of raw jute—

[1] Cf "The Economic Viability of Pakistan", in *The World Today*, March 1949.

which touched Rs.37 a maund last June—can be kept down to a reasonable level, the industry will face ruin and India will lose a most important source of foreign exchange. In the case of tea, although the industry in general continues prosperous, there are considerable low producing areas in which it is impossible to avoid a loss at present-day costs. Other instances could be given, but these two will suffice to show the serious inflationary position in India today.

A second symptom of the disease is the heavy adverse balance of trade. Comprehensive and exact figures are not easy to obtain, but by taking the official Indian figures for sea-borne trade, and the Pakistan official figures of the balance of trade between the two Dominions, we arrive at a total adverse Indian trade balance of nearly £170 million for the year ending 31 March 1949 Nor has India any large-scale overseas investments, or any considerable invisible exports to offset this adverse balance She is in fact using up her sterling balances, not in purchasing capital goods for future development—the availability of such goods at the present time is in any case limited—but for current needs Both the orthodox remedies—reduction of imports and increase of production—present obvious difficulties A large proportion of India's imports consists of foodstuffs, and although her food deficiency is only a small percentage of total consumption, inevitable inequalities of distribution would rapidly result in famine if imports were substantially reduced, unless such reduction were accompanied by Draconian methods of procuring grain from the grower. Their adoption would be politically almost impossible for a popular Government with the historical background of the Congress Party.

The other remedy—increase of production—also bristles with difficulties. In the field of agriculture, attempts to increase both yield per acre and the area under cultivation have occupied much of the time and energy of every good District Officer for the last forty years or more. Results have been slow, and the process is unlikely to be quickened until some of the Government's major irrigation schemes come into operation. Few of those schemes have yet passed far beyond the stage of preliminary blue-prints, and they are likely to be further delayed by the difficulty of obtaining the plant and materials required. It would be foolish to expect large-scale results for at least ten years, and in the meantime India will have to continue to import food in considerable quantities. In the industrial sphere an expansion of production for export is not likely to be achieved rapidly. Apart from the unavoidable difficulty of the shortage of capital goods and technicians, the complete loss of business confidence is an important delaying factor—and the restoration of this confidence will take time.

It is therefore not easy to see how India can substantially reduce her adverse balance of trade in the near future. She will be compelled to continue drawing on her reserves. This will inevitably retard her development in the more distant future, and will compel her to depend more than she would wish on foreign capital—if such capital can be induced to operate.

A third symptom of the economic malaise is the complete stagnation of Indian business. Indian big business men speak frankly of their lack of confidence either in the economic policy of their Government, or in the probability that new enterprise will prove remunerative in the years ahead. Darab Cursetji Driver, the authority previously quoted, when referring to the causes of this stagnation says: 'Our ignorant and inefficient labour, armed with a vote, is becoming difficult to manage, both for the State and the employer; production is tending to decline, and production per head of worker is also going down; coal costs four times more at pit head than before the war; transport by our nationalized railways is sluggishly inefficient and costly, banks tend to reduce credits previously given and are not anxious to give fresh credits, profits of main industries like jute, cotton, cement, coal, steel, and sugar are declining; wages and amenities for labour, bolstered up by Tribunals inexperienced in industry and business, are rising, numerous controls are hampering ordinary activities of business in purchasing and selling. . . Underwriters of new companies, seeing how the existing industries are drooping, dare not underwrite new business.' Some of these complaints have a familiar ring in England, and it is not necessary to analyse their validity in detail The important fact is that they undoubtedly represent the view of most Indian business men. The British in India, while in no wise disagreeing with their Indian colleagues' diagnosis of these ills, have tended to be more resilient and to believe that some of them are perhaps only transient. It would be difficult to sustain this resilience indefinitely, and it is therefore important to examine the causes of the disease and see if there is likelihood of a cure.

In making this analysis it will be useful to draw a distinction between long-term factors, inherent in the social and economic structure of India, and factors which arise from Governmental policies and public feeling, and which may therefore be regarded as temporary and capable of modification.

First among the long-term factors is the consideration that a predominantly agricultural country must be able either to feed itself or to pay for its imports of food by exports of raw materials. Such exports are limited not only by physical conditions in the country itself but also by world demand, and equilibrium thus depends on the maintenance of a due proportion between popula-

tion and food production. In India there has in this matter been disequilibrium for a considerable time, and the position is deteriorating year by year. Every decade sees an increase of nearly 50 million in the population of India and Pakistan together, and at a conservative estimate this involves an addition to the consumption of food grains of 8 million tons a year. The popular idea that there are vast areas in India just awaiting cultivation is not sound—and indeed could not be correct in a country where the pressure of population is as heavy as in India Immediate extension of cultivation involves the use of marginal lands, and is only profitable when prices and other conditions are exceptionally favourable. Large irrigation and afforestation schemes can undoubtedly produce results, but they operate slowly, and it seems unlikely that they can, at any rate for many years, keep pace with the growth in population It is true that yields per acre are low in comparison with other countries, and that improvement ought to be possible. In practice such improvement will depend on the great social and economic changes which are needed, not only in order to eliminate the wasteful fragmentation of holdings which at present occurs, but also to remove the disincentives to enterprise which the joint family system provides in many parts of the country. It will be long before systematic birth control helps in correlating population growth to agricultural productivity, and for many years India's inability to feed herself or to pay for her food through exports of raw materials must be accepted as a serious weakness.

A second long-term weakness arises from the fact that such contribution as industry has been able to make to India's ability to buy from abroad has been based on her capacity to produce cheaply. Cheap production can be based either on efficiency and hard work or on low wages. The Indian workman was never either efficient or hard-working by European standards, but at least he was cheap. The new political and social consciousness of India—quite apart from the policy of any particular Government or from events after the transfer of power—has led to a demand for better standards of living for industrial workers, and this change, however desirable it may be, has diminished, and is likely further to diminish, India's capacity to enter world markets on competitive terms. India has yet to learn the hard lesson that the adoption of new standards of living does not necessarily bring with it the means of attaining them, and that indeed, by acting as a drag on cheap production for export, it may even work in the opposite direction. The desire to improve the lot of the common man before ensuring an increase in the national wealth, however admirable morally, must be regarded as one of the causes of India's present economic difficulties.

Partition, with the resulting dislocation of normal trade channels, has aggravated economic problems, and from India's point of view it has involved the loss of a considerable portion of her jute and cotton, as well as a disadvantageous position for the marketing of various commodities produced in India, which Pakistan may now seek to purchase elsewhere.

There are thus serious elements of weakness in the Indian economy which would have existed whatever policy had been followed by her Government, and which can reasonably be regarded as unavoidable. They have, however, been aggravated by unwise policies and unnecessary happenings. Of all the factors responsible for the stagnation of Indian business today, the most important is, without doubt, the crushing incidence of taxation Until 1947, taxation in India, although high, still left a reasonable margin of profit to provide the incentive without which the system of private enterprise cannot operate. Mr Liaqat Ali Khan's Budget, which involved income tax and super-tax rising to a rate of 15½ annas in the rupee at a lower level than that at which comparable rates are reached in England, and which further imposed a business profits tax and a capital gains tax, was clearly understood by those concerned to be equivalent to a death-grip on Indian business. Little has since been done to relieve industry of this intolerable burden, and it may be taken for granted that until substantial relief is given Indian industry will not expand. Only a fool or a philanthropist would embark on the kind of 'heads you win, tails I lose' enterprise, in which such expansion would consist under present taxation conditions. Moreover, the bulk of the capital required for new industrial enterprise comes in normal times from private savings. At a time when the middle classes are almost crushed out of existence by the combined burden of heavy taxation and the high cost of living, and when taxation on the rich has reached its present level, there are no legitimate private savings from which new business might be financed. More money than before is in the peasants' hands, but they do not invest it in industry.

A second deterrent is the high cost of production. This is due partly to the general inflationary position, and partly to the fact that the Labour Departments of the Governments concerned have forced wages up to a wholly uneconomic level. The motives behind this policy have been honourable, and its authors have been inspired by a vision of the good life for the toiling masses. They are men who love their country, but they are not men of affairs, and they have not yet learned that standards of living are raised not by visions alone, but by the fair distribution of profits which first have to be earned. Measured in terms of productive capacity and

world prices, the Indian workman is not worth what he is paid today. He was never particularly efficient, but since the war he has caught the spirit of the age and now produces even less than before. The Indian industrialist will not embark on new ventures unless he is assured that wages will be fixed at levels which have some relation to productive capacity and potential profits.

Nor is this the only aspect of the labour situation in India which worries the business man. He cannot fail to note how the spirit of indiscipline, in any case inevitable in a time of political and social transition, has been fanned by the unwise administration of labour legislation in certain Provinces The procedure under which labour disputes can be referred to Tribunals whose decisions are binding has been used in such a way that the labourer has grown to believe that any claim, however preposterous, is worth trying With inexperienced men presiding over Tribunals, and with no definite body of principles laid down to guide them, there is a 50 per cent chance of success for a bad case Worse still, some of the Tribunals have interpreted their scope so widely that they have forbidden employers to dispense with redundant staff What prudent capitalist will dream of founding a new industry if he is deprived of all freedom to decide, from time to time, how many men he needs for the existing volume of work? It is in the Provinces rather than in the sphere of the Central Government that this unwisdom has been displayed, and industrialists in most parts of India profoundly hope that the Central Government will take these matters under its own control.

A further depressing factor is the general feeling of Indian business men that the Government's economic policy is still indefinite. They believe that certain elements in the Cabinet are determined to go ahead with a full socialistic programme and are merely temporizing with private enterprise until a suitable moment for wholesale nationalization arrives. The writer does not share this view, but colour is lent to it by the speeches of some Cabinet Ministers, and at best it must be admitted that there is urgent need for a blunt, unequivocal statement of policy

In view, also, of uncertainty as to the political composition of the first Government of India to be elected under the new Constitution by adult suffrage, it is clear that the Indian business man has ample cause for hesitation. If he does decide to run the risk of starting a new enterprise he at once finds himself up against a host of obstacles and delays. He must begin by securing the approval of the Controller of Capital Issues—and this may well mean a wearisome process of reference and counter-reference from department to department, and even from Government to Government. At the next stage he probably has to secure import

licences for capital goods, and with the ever-changing import policy this is not an easy task. Thereafter he must obtain the sanction of the Reserve Bank for the remittances necessary to pay for his capital goods. At one of these stages he may run up against a blank wall, and, in the meantime, the amount of faith required in those who are financing the new venture would be enough to move mountains These are not the conditions under which the Indian business man—who has always been less willing than his European competitor to leave the beaten track—will undertake new enterprise, and it is not therefore surprising that industry is stagnant and that all those bright hopes of progress which were paraded so prominently just after the end of the War have faded.

The picture has been painted black—even though space has not permitted reference to such minor matters as the hopeless state of transport, the cramping effect of inefficiently administered controls, and the endless difficulties of inter-Dominion trade—because the writer has been trying to look through the eyes of the Indian business magnate. The writer himself does not take such a gloomy view. He believes that many of the mistakes in economic policy were the inevitable result of inexperience and enthusiasm, and that those who made them are learning rapidly. He sees some ground for hoping that a more realistic taxation policy will not be long delayed, and still more reason to believe that the Central Government, with the practical-minded Sardar Patel as Deputy Prime Minister, will soon impose a measure of control in labour matters on the Provincial Governments, and will be able to restore some degree of discipline amongst labour. If that is done, the next logical step would be for Government to make it clear that it regards private enterprise as an essential prop of the Indian economy, and to back its belief by action. Thereafter would come the harder task of persuading foreign capital to help in building the new India, since the inadequacy of Indian capital has already been admitted This would of course require the recognition that there are at present other fields of investment more attractive to foreign capital than India, and that the overseas investor will have to be wooed, not frightened away by stipulations and restrictions.

If all this can be achieved, there will remain the longer term problems—the reorganization of the social system in such a way that the lazy individual can no longer be a parasite on his family, the removal of illiteracy; the preaching of the gospel of work, and the translation into reality of the schemes for increased agricultural production.

These are formidable tasks, and until Indian statesmen have had time to measure themselves against them the economic future of India will remain as uncertain as that of Britain. Both countries

will need to learn—or relearn—the meaning of the word work, and both will need to remember that whatever may be the evils attendant upon an aggressive individualism, it has, throughout history, been the mainspring of progress.

T. S. A.

THE PRICE OF GOLD AND SOUTH AFRICAN ECONOMIC INTERESTS

GOLD has always derived part of its value in world markets from the demand for it for use as money. Formerly part of the available supply was used for coinage Since 1914 the use of gold coin has ceased, but gold has continued to play its part in the settlement of international transactions and obligations. Central banks hold reserves of gold, and buy gold at a fixed price to replenish them.

The institution of the International Monetary Fund has reinstated the gold standard, but with a difference. Formerly each nation adopted the gold standard and defined the gold parity of its money unit by its own legislation Its intention would be to maintain these arrangements unchanged, but nevertheless it retained the power of altering the parity or departing from the gold standard in its own unquestioned discretion

Now, on the contrary, the International Monetary Fund contemplates the parity of any money unit being altered in case of a 'fundamental disequilibrium', but a member has in other respects to give up its free discretion in that matter. And power is conferred on the Fund (by a suitably constituted vote) to make 'uniform proportionate changes in par values of the currencies of all members'.

South Africa ever since 1890 has been the world's greatest producer of gold. Consequently South African economic life has been greatly dependent on the value of gold in world markets.

In the trade cycles that prevailed up to 1914, the gold standard countries of the world used to experience activity in the phase of rising prices and depression in the phase of falling prices. But rising prices meant a *falling* value of gold; falling prices a *rising* value of gold. And South Africa experienced prosperity in the years 1892–5 when the rest of the world was depressed, and depression in the years 1896–1900 and 1905 when the rest of the world was prosperous. (That was not always so; rising and falling prices were

bound to have some effect upon South African business outside gold production, and in the years 1909–14 the rapid expansion of gold output compensated the fall in the value per ounce.)

Since 1919 the value of gold has been dominated by the monetary policy of the United States. Gold followed the violent fluctuations in the wealth-value of the dollar in the years 1919–22. Thereafter a relatively stable dollar meant a correspondingly stable value of gold up to 1929. In the years 1930–33 the value of gold doubled. That was more than the American monetary system could stand. The United States abandoned the gold standard, and returned to it in 1934 only at a reduced gold value of the dollar, and with reservations.

Gold-producers in general, and South Africa in particular, suffered from the great fall in the value of gold up to 1920. The subsequent rise in the value of the dollar, and therefore of gold, up to 1922 only recovered about half the value previously lost, and a decline in the output of gold followed. The huge rise in the value of gold after 1929 brought this phase to an end The general fall in prices and values measured in gold was reflected in a fall in the cost of production of South African gold, and a great expansion of the output of gold ensued. The South African Government, fearing that the increased output would bring the day of the exhaustion of the Rand mines undesirably near, imposed taxes designed to discourage the too rapid exploitation of the more productive mines.

The devaluation of the dollar in 1934, reducing its gold value by more than 40 per cent, along with parallel action in many other countries, seemed to promise a permanently higher value of gold But the war intervened, and inflation steadily reduced the wealth-value of the dollar, and along with it the wealth-value of an ounce of gold. Up to June 1946 the effect on prices was kept in check by controls, but thereafter the removal of the controls gave free play to the latent inflation. The American wholesale price index (100 in 1926) rose from 74 9 in 1934 to 112·9 in June 1946 and 169·5 in August 1948. The average of hourly earnings (a truer criterion) rose from 53·2 cents in 1934 to 108·4 in June 1946 and 134·9 in August 1948. By this latter test the $35 to which the ounce of gold had been equated in 1934 had lost 60 per cent in purchasing power.

There is no need to build too much on this numerical measure, the serious deterioration in the economic position of the gold industry is anyhow manifest And confirmation is to be found in the South African national income statistics. In 1938 the net income derived from mining was £81·5 million out of a net national product of £394·8 million. In 1946 (the latest year

vailable) mining yielded £86·4 million[1] out of £703·7 million. The proportion had fallen from 20 per cent to 12 per cent.

And the effect is all the greater in that gold production is wholly or export. Sometimes a substantial part of the output is added to he African gold reserve, but the reserve is held against the contingency of external payments, and is itself therefore a potential xport. During the war the gold reserve rose from £60 million in 939 (at the present valuation of 173s 8d. per ounce) to £224 million at the end of 1945, and it reached a maximum of £265 million in May 1946. War conditions and controls had severely imited South African imports, and the gold output had been nore than sufficient to cover the excess over exports. But after the nd of the war imports jumped up from £112 million in 1945 to £214 million in 1946, and £295 million in 1947. The excess of mports over exports in the two years together was some £300 million, towards which new gold contributed nearly £200 million. South Africa has also to meet an adverse balance on invisible tems (interest, freight, etc.) Yet the gold reserve at the end of 1947 had only fallen to £187 million.

South Africa being within the sterling area, the exchange ontrol does not interfere with capital movements from the U.K., nd the sterling convertibility crisis of August 1947 appears to have led to a big transfer of funds by holders who believed the monetary future of South Africa to be more secure This movement is said to have continued till May 1948.

The position looked sufficiently favourable in the early part of 948 for the South African Government to provide a three-year old loan of £80 million for the U.K But it soon became clear hat the drain on South African resources must not continue. At he end of the year the gold reserve had been reduced to £45 million.

The system of exchange control adopted in the sterling area llows payment for all permitted imports. If the exchange situaion requires imports to be limited, that is done not by restricting he facilities for paying for imports but by directly restricting the nports themselves. Where a country depends upon the foreign xchange pool of the sterling area to pay for its imports from outide countries, it must of course adopt an agreed policy in regard o import restrictions South Africa is in an exceptional position; n virtue of her gold production, she does not have to draw upon he foreign exchange pool. She had therefore been able to drop nport restrictions after the end of the war. In the present year he has been compelled to reimpose them.

The need has been not only for gold but for sterling, and South

[1] The gross value of the output of gold was £102·9 million, but the cost of naterials etc. has to be deducted.

Africa is receiving repayment of portions of the gold loan not in gold but in sterling.

South Africa is being driven to impose measures of austerity because her principal export is the one commodity of which the price is not allowed to rise. The price is still that fixed by the American Gold Reserve Act in January 1934. Under that Act dealings in gold in the United States were subjected to rigorous control, and the price of gold in such dealings was fixed by a Presidential Proclamation, within limits specified by the Act. External dealings in gold were reserved for the Government. The Secretary of the Treasury was given the duty of buying and selling gold 'for the purpose of stabilizing the exchange value of the dollar', but was not tied down to the price prescribed by the Proclamation. Nevertheless that price has been uniformly adhered to, and it became the basis of the parity of the dollar notified to the International Monetary Fund.

Not unnaturally the South Africans have been inclined to bring up the question of raising the price of gold. The International Monetary Fund has power under its Articles to change the price of gold without disturbing the relative values of money units, that is to say, to alter all parities in the same proportion. But the Articles give no guidance as to the grounds on which such a change ought to be made.

It may be supposed that the occasion for it would be an excess or deficiency of the supply of gold in relation to monetary needs. If the gold reserves of member countries are insufficient to support the currency circulation and bank credit which they require, it may be desirable to raise the money value of gold, rather than resort to a general monetary contraction with its usual accompaniments of depression and unemployment. If, on the contrary, gold reserves are in excess, it may be desirable to reduce the money value of gold, and thereby both to eliminate the excess and to discourage the output of new gold.

There is no case on monetary grounds for raising the price of gold at the present time. Many countries are short of reserves, but that is because the available supply of gold is very unequally distributed. The total reported reserves at the end of 1948 were the equivalent of $34,000 million, of which the United States held $24,244 million. Raising the price of gold would not in itself do anything to correct this maldistribution. Inflation was in progress in the United States up to a year ago, and has since made way for a slight recession. Neither the inflation nor the recession has had any close relation to the gold reserve.

The material consequences of a rise in the price of gold would be felt in the sphere of gold production. The output of gold is a big

factor in the balance of payments not only of South Africa itself, but of the sterling area. The present output of the whole sterling area is some 14 million ounces, equivalent to nearly $500 million, of which 80 per cent comes from South Africa. A rise of 50 per cent in the price would not only add $200 million to this sum, but would stimulate the output of gold. The gain of dollars to the sterling area would be substantial, but against it must be set off the relaxation of austerity in South Africa, it might well be that the whole of the additional value of the South African gold output would be eaten up by additional imports into South Africa.

On a broad view the diversion of an increased amount of the world's productive power into gold mining cannot be said to be desirable. The gold output of the United States was cut down from 5,920,000 ounces in 1940 to 997,000 ounces in 1945, in order to release productive resources for the war effort. Can productive resources be spared any better now?

The purchase of American supplies for gold *looks* more respectable than the acceptance of free gifts. But goods sold for gold, in order that gold may be added to the superfluous reserves already accumulated by the United States, would, in American eyes, be no better than unrequited exports.

The question of the price of gold came up in another form last February, when South Africa sold 100,000 ounces in London, at a price above $35, for use in industry. A member of the International Monetary Fund may not 'buy gold at a price above par value, plus the prescribed margin, or sell gold at a price below par value, minus the prescribed margin' (Article IV (2)). But there is nothing against *selling* at a price *above* par. So far as the Articles are concerned, any member is free to sell gold at as high a price as he can get. A member could not buy it, but a 'member' means a Government. The buyer in this instance was a firm of London bullion dealers, and a member Government is under no obligation to interfere with the freedom of traders and individuals to buy gold at whatever price they choose.

The International Monetary Fund, however, had previously made a pronouncement (18 June 1947) that 'a primary purpose of the Fund is world exchange stability, and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. . . . The Fund strongly deprecates international transactions in gold at premium prices, and recommends that all its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.'

The action of South Africa evoked a protest from the Chairman of the Executive of the Fund, M. Gutt, and an inquiry whether there were to be adequate safeguards against the gold being bought not for industrial use but for hoarding.

An active market in gold for hoarding at a premium, if allowed to develop on a large scale, might supersede official rates of exchange altogether. And what is ostensibly an industrial use of gold may involve so slight a cost of workmanship as to be no better than a cloak for the intention to hoard.

It would seem that there are two distinct sources of the demand for gold at prices above official parities. In the first place the amount of gold allowed by official controls for use in industry is not sufficient to satisfy the demand Even in the United States dealers in bullion take advantage of a loophole in the Gold Reserve Act of 1934, in that the Act does not apply the price control to purchases of unrefined gold. They openly and regularly buy unrefined gold at prices representing more than $35 an ounce for the fine gold contents. It is probable however that quite a moderate increase in the supply of gold to industry would extinguish the premium in these transactions

Secondly, a more extensive market, and one yielding higher premiums, prevails in countries where the money is distrusted and controls are not effectively enforced. Here the high price measures the low value placed on the currency in which it is calculated.

A member of the Fund undertakes 'to collaborate with the Fund to promote exchange stability', and, 'through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed' (Article IV (4)) If South Africa sells gold at a premium to a bullion dealer in another member country, it is for the latter to see to it that the transaction does not conceal a purchase of exchange at a premium

It will be seen, therefore, that the intervention of the Fund was not very securely founded And in the end the Fund agreed that it would raise no objection to sales of gold at a premium provided the gold were fully fabricated before export, or semi-processed gold were sold only to concerns pledged to use it for the production of fully fabricated articles.

But the real safeguard against an excessive extension of these transactions will be that sales even at very high prices for discredited currencies will be unattractive.

R. G. H.

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NOTES OF THE MONTH

The Three-Power Talks and the Devaluation of Sterling

IN the late spring of this year it became evident that the drain on the sterling area's gold and dollar reserves was taking on dangerous proportions These reserves, which amounted to £664 million at the end of 1946 and £512 million at the end of 1947, had dropped to £471 million by March and £406 million by June 1949 Business activity in the U.S A had receded to some extent from the exceptionally high level attained after the war, and sterling exports to America had declined considerably since the beginning of 1949. It was known that the proposed amount of Marshall aid for 1949–50 would be smaller than in the preceding year, and subsequently further cuts were made by the U.S. Congress Early in July the British Government announced its intention of reducing imports from the dollar area, and similar cuts were recommended by the Commonwealth Finance Ministers after their London meeting of 13–18 August.

Discussions between the U S. Secretary of the Treasury, Mr Snyder, and the Chancellor of the Exchequer on the balance of payments difficulties of the sterling area with North America, initiated in London on 8–10 July, were resumed in Washington on 7 September, when the U.S. and U K. Ministers were joined by Mr Abbott, the Canadian Finance Minister. The task before the negotiators in Washington was twofold to devise ways of reducing the current drain on sterling area reserves, and to agree on policies which North America and the sterling area should pursue to make the latter independent of extraordinary outside help by 1952, when Marshall aid to the U.K. would come to an end.

The official communiqué issued on 12 September at the close of the Washington meeting seems, on first examination, to show agreement on general principles rather than on concrete measures. However, since the announcement on 18 September of the devaluation of the pound and other sterling area currencies, it has

become clear that the negotiations were conducted on the assumption that this step would be taken.

The short-term measures discussed in Washington were briefly (1) the reduction in dollar imports into the sterling area, which was recognized as an unfortunate temporary necessity by the Americans, (2) the possibility of increased purchases by the U.S A. and Canada of sterling area raw materials for stockpiling, notably of tin and rubber, and (3) the use of Marshall dollars for the purchase by the U.K. of additional categories of goods within and outside the U S.A. On this point it was agreed that Britain should be allowed in the coming year to use Marshall aid dollars to pay for Canadian wheat, for which she would otherwise have had to pay with dollars earned through exports The problem of 'solvency by 1952' was approached from three angles· (1) the increase of sterling area exports to North America; (2) the making of further dollar economies, including some on oil transactions, (3) the creation of conditions in which investment would flow from the U.S.A. to underdeveloped countries in the sterling area as well as elsewhere

On points (2) and (3) no definite action was taken. They were left for further joint study. Point (2) also raised the question of the U.K.'s existing obligation under the U.S. and Canadian Loan Agreements not to discriminate against American goods This obligation also threatened to stand in the way of a further liberalization of intra-European trade and non-dollar trade generally There seems to have been agreement that a broader interpretation might in future be given to these obligations.

As regards point (1), the most important action, which, though a unilateral decision not formally agreed in Washington, nevertheless underlay the discussions, was, of course, the devaluation of sterling This step will undoubtedly give an impetus to sterling area exports to America by reducing their prices in terms of dollars, though probably not to the full extent of the devaluation But this very fact will mean that the increase in the quality of British exports will have to be considerable if aggregate dollar receipts are to be increased. An export drive of this scope requires special efforts on both sides of the Atlantic. What contribution have the Washington talks made towards facilitating such a drive?

The U S.A. and Canada have agreed to take steps to simplify customs procedure, and, within the framework of existing legislation, to continue their policy of reducing tariffs. The U.S.A. has also undertaken to modify regulations concerning the use of synthetic rubber so as to give a wider market to Malayan rubber. In a more general way it was recognized that sterling area exporters should be given reassurance that they will be able to remain in

North American markets in which they have gained a place. It may be objected that all this does not 'add up' to very much, but it was evidently as much as could be done without legislative action which the American and Canadian Governments did not wish to initiate at the moment.

On the British side it was recognized not only that 'appropriate incentives' should be given to exporters and costs of production reduced—e.g., by devaluation—but that production should be maintained at a high level, and the maximum amount be made available for export against dollars. In this connection the question of Britain's sterling balances also came up for discussion. Owing to the existence of the balances, which resulted from payments made by Britain for goods purchased in overseas countries during the war, the U K. has had, in recent years, to export goods which she could otherwise have used to pay for current requirements, and for which she now gets nothing in return It was decided in Washington that this problem will have to be discussed with all parties concerned.

This, very briefly, is the ground that was covered in Washington. Even if few undertakings were given, the talks have nevertheless led to a clearer understanding of the objectives towards which policies should be directed

The task before the U.K. and all other countries who have devalued their currencies is still very great Devaluation will bring about an increase in the price of goods imported from North America, which will to some extent affect the cost of living. Such an increase must not be allowed to give rise to a general increase in prices and incomes Should wages and profits rise, costs of production would go up, and if the domestic price of export goods were to rise, some of the expected benefit of devaluation would be lost. Also, the danger of inflation is still present. A rise in wages consequent on a slight rise in prices would bring about further price increases, and would cause goods which ought to be exported for dollars to be diverted to the home market To stave off the danger of inflation the Government proposes to reduce its own expenditure and to curtail investments. This will help to restrain demand and thus make more goods available for export.

Syria after Husni az-Zaim

The writer who concluded the note on Syria in the May 1949 issue of THE WORLD TODAY with a reminder of the violent end of Bakr Sidqi little foresaw that 'Field-Marshal' (previously Colonel) Husni az-Zaim, who had seized power in a bloodless coup on 30 March, was destined to be summarily shot by a dissident military junta on 14 August. The removal of this egoistic commander

of an ineffectual army seems to have occasioned less regret in Syria itself than in Cairo, where his visit to King Faruq on 21 April had been uncannily reminiscent of those uncomfortable pilgrimages that lesser mortals used to make to Berchtesgaden (cf. the communiqué issued from the Palace: 'Colonel Husni Zaim wished by his visit to show the bonds of friendship and profound respect that the Syrian Government and people have for Egypt and her Sovereign'). His departure was also deplored in the chancelleries of France, Turkey, and Israel, all of whose policies in the past have been less distinguished for any benevolence towards the Syrian Republic and people than for self-regarding opportunism in their despite.

The series of paper reforms promulgated during Zaim's Hundred Days were in themselves unexceptionable. They were, in fact, the legislative commonplaces of every State with pretensions to modernity and 'progress'. What they lacked was the third dimension of patient, honest, unspectacular administration which alone can transmute ideas into achievement Whether, given time, Marshal Zaim might have created such an administration, it is fruitless now to speculate During his brief dictatorship he was tentatively compared with Ataturk but when Ataturk assumed political power he was able to command (and compel) co-operation, both from subordinates who respected him as a newly-victorious general and from a nation with a long tradition of serving its rulers. Ataturk would probably now admit that some part of his great accomplishment was botched, and that an immense task still lies before his successors; but the man unmistakably had genius Zaim, on the other hand, began with no such prestige, and his conduct of affairs, already visibly fumbling in April, had by August caused at least one responsible observer to doubt his sanity.[1] As for loyal service, that is a quality sadly to seek in the Arab world, where the weeds of nationalism and materialism, unconsciously sown in the last century by the Western intruder, are rapidly choking the already sickly ethic of Islam The result is that in these countries, to an even greater degree than elsewhere, the individual is at the mercy of the manoeuvres of power-politics, of government which has been generally incompetent and irresolute and often self-interested and corrupt, and of a venal and irresponsible press His first need now is not the two-edged mechanical tools of civilization but the more elementary gift of public order, and to be left in peace to till his field or ply his trade. If ignorance and disease are woefully prevalent, and the system of land-tenure unmitigatedly 'feudal', these are at least familiar afflictions; but if the last thirty-five years in the Middle

[1] *The Times* Damascus correspondent, 26 August, 1949.

East represent progress, then indeed, as the Arab proverb says, 'Hurry comes from the Devil, and slow-but-sure from the Merciful God'.

This is not to suggest that Syria should, or can, stagnate; but her rulers and people, in common with other nations, have to re-learn that true progress depends primarily on the good conduct of affairs, which in its turn depends on a sound morality, public and private.

The Background of the Hungarian Trials

The accusation levelled against Laszló Rajk, former Assistant General Secretary of the Hungarian Communist Party, Minister of Police, and later, up to his expulsion from the party and his indictment, Hungarian Minister for Foreign Affairs, was that he acted for many years as a spy of the Horthy police. This fact, it is alleged, was revealed after the war to the American Secret Service, which, in turn, handed over the information to the Yugoslav authorities. Thus Mr Rajk, under compulsion, continued his anti-Communist activities, plotting with 'American imperialists' connected with Marshal Tito to overthrow the present régime in Hungary. Fascist forces in the western camps of Austria were kept ready to support a forthcoming coup This is the gist of the story presented by the indictment Moreover, the chief accused confessed to all these crimes, inculpating not only himself but also Marshal Tito.

To Western readers of this story, two main questions arise. First, how does it all square with Mr Rajk's outstanding role in Hungarian politics during the period from 1945 to June 1949? And secondly, how was it possible that the spying practised, according to the indictment, for almost two decades, and allegedly well known to the police authorities of several countries, escaped the attention of the watchful and efficient Communist organizations? It is, to say the least, curious that a man with such a record could be allowed to assume a leading position in the Hungarian Communist Party and the Government over a period of four years.

Mr Rajk's attitude as a Cabinet Minister was notoriously rigid. He showed little awareness of the obligations involved in membership of a coalition cabinet, even before that coalition had become a farce So much so, indeed, that it was quite impossible for any official, from Under-Secretary downwards, who was not strictly devoted to Communism, to function effectively within Mr Rajk's Ministry.

This uncompromising character also caused dissent in the Polit Bureau. To a politician like Mr Rajk, with his rigid and dogmatic outlook, the proposals submitted by the more experienced

and versatile Mr Rákosi were not always sufficiently far-reaching Discussions on issues of this kind may have been the cause of misunderstanding between the two Communist leaders at an earlier stage in their relationship.

Turning to the points of the indictment, Laszló Rajk certainly had contacts with Yugoslav statesmen up to the time of the Cominform rupture with Marshal Tito in June 1948. Yet political observers are sceptical as to the continuation of these contacts after that event. It is, however, possible that an ambitious and daring man like Mr Rajk, who was, moreover, believed to have stronger nationalist sympathies than Mr Rákosi and his other lieutenants, might at some stage have become a possible rallying point for opposition. In an atmosphere in which suspicions and facts are inextricably interwoven, and where all the accused invariably 'confess', a political *raison d'être* for the trial may have been found on the ground of forestalling future danger. Such a trial might also be used to demonstrate to Moscow that the present rulers of Hungary are ready and capable of extirpating 'Titoism'

It was obviously not easy to prove to the rank and file of the Workers' Party that Laszló Rajk, the efficient organizer of the Communist police, the man who directed the 1947 elections in favour of the party, was a traitor The Communist masses were attached to him. Not long ago he was a favourite at public meetings second only in importance as a speaker to Mr Rákosi It was therefore necessary that Mr Rajk and his accomplices should be vilified by charging them with the most detestable crimes hitherto held to be perpetrated only by bourgeois and right-wing Social-democrat conspirators. The discovery of the first set of conspiracies (in 1947 and 1948) was closely connected with the growing tension between Russia and the West. Mr Rajk and the others accused with him are the victims of the emergence of opposition on the part of a Communist Government faced with Moscow's dictatorial methods.

Much speculation has been given to the character of the association between Rajk and the different groups of accused. This does not refer, of course, to his former assistants in the Ministry of the Interior and in the police force. Yet there is General Pálfy, until recently Chief of the General Staff, and formerly head of the political section of the Ministry of War, which, together with the Army, he was commissioned to reorganize on Communist lines. There is the former Social-democrat Paul Justus, who plotted the fusion of his party with the Communists. There is, further, a group of young journalists who worked for some years in Switzerland on instructions of the Hungarian Communist Party. Is the prosecution of this last group a sign of the tendency to eliminate

gradually men who have had closer contacts with the West?

It is noteworthy that only Mr Rajk and a few of his associates are involved in this first trial. His former chief lieutenant in the Ministry of the Interior, Dr Szebeni, and many others are to come up for trial later. It seems that the propaganda campaign against Mr Rajk, and even more against Marshal Tito, is intended to be waged for longer than one judicial procedure could provide for.

Respite for Malta's Government

Malta's Labour Government has weathered the storm of criticism at home arising out of the conduct of the recent conversations in London on the island's economic problems. On 19 September, after a seven-day debate, Dr Boffa received a strong vote of confidence in the Legislative Assembly.

Dr Boffa has always had difficulty in controlling the extremism of his able Deputy Premier, Mr Mintoff In London they both had long conversations at all levels with the Colonial Office. They made it clear that the war and (in their opinion) British maladministration have put the Maltese islands in a plight from which they cannot hope to emerge unaided And on the whole they came empty away to Valletta Their plea that Britain should continue to contribute to Maltese food subsidies was turned down. Obviously their demand that Whitehall should see to it that Malta got a share of Marshall aid could not be dealt with in London to their satisfaction.

But the issue which caught most attention in Malta was that of the dockyard workers The Admiralty had announced a scheme whereby fifty dockers a week were to be dismissed until a total of twelve hundred men had been laid off Now the dockyard attracts the best kind of Maltese labour, and the Admiralty's plan meant twelve hundred loyal sons of the Commonwealth deprived of the means of supporting their invariably large families It is hard to find a new job in Malta these days. The Admiralty replied with some justice that it must economize, and that whereas the dockyard employed 8,000 men in 1939, the number today would still be 11,000 when the dismissals have been effected. Still, there was some comfort for Dr Boffa in the promise he finally secured that no-one should be dismissed before November The War Office added a welcome offer to take on a thousand Maltese as labourers in Cyrenaica.

Mr Mintoff was unimpressed. He rightly insisted that the question of the dockers was only a symptom of a much more radical malady. Once the War Damage Grants are spent—and Mr Mintoff has repeatedly claimed that they are too small—thousands of Maltese families will face unemployment and near starvation.

This state of affairs cannot be set right with the financial resources of the islands by themselves, though the conservative Valletta weekly *The Nation* has observed that there is capital tied up in Malta which could be put to better use Mr Mintoff, however, handled his case too violently. He persuaded Dr Boffa to present Mr Creech-Jones with an ultimatum which threatened that if Malta did not receive proper consideration she would take her case direct to the U.S.A. or to 'any other major country' ready to give aid in return for the use of Malta as a base This Mr Creech-Jones naturally rejected at once Dr Boffa flew back to see his Cabinet early in August, and found that no Minister would sign the ultimatum as it then read. The text was therefore altered, and became a declaration that unless the British Government gave satisfaction, the Government of Malta would ask their people in a national referendum whether they wished to offer a base to the U.S A. in return for American aid. While Dr Boffa was in Valletta, Mr Mintoff took it upon himself to carry on negotiations with the Colonial Office, but without the knowledge of his fellow Ministers He stuck to the original ultimatum, and when on Dr Boffa's return to London it was made plain that in this he stood alone, he resigned from office, with high words Dr Boffa withdrew the ultimatum altogether, after Mr Creech-Jones had explained that its existence prevented the British Government from going on with the discussions.

Thus Mr Mintoff has achieved only his own resignation—so far Dr Boffa seems to have retained the support of the rank and file of his party, but the disaffection of a substantial minority would bring his Government down. This would be unlikely to lead to the triumph of Mr Mintoff and his friends the Ellul brothers Their wilder pronouncements, their demands for a heavier income tax and for an expensive health service have lost them much electoral support of late. The ultimatum's reference to 'any other major country' will cause more head-shakings among those people who already look askance at Mr Mintoff's family tree, which is Russian, and who remember his libel action against a prominent editor who called him a Communist. Weighty words will be uttered from many pulpits, and every Maltese listens carefully to these. A general election would be the big chance of the rightist Democratic Action Party.

Meanwhile the most useful suggestion made by any one is that Maltese labour should be employed in Cyrenaica. The creation of a 'Greater Malta' somewhere in Libya is not a new idea: there must be some such plan soon, to meet the prodigious increase in Malta's population. Yet another method would be for Britain to assist emigration to Australia.

TITO'S DOUBLE TWO-FRONT WAR

EVER since the Cominform-Tito quarrel was made public in June 1948, the Yugoslav Communist leaders have been fighting a double two-front war. It is being carried on in both home and foreign policy. While Minister Ranković's security police are vigilant and ruthless in suppression of Cominformist tendencies within the Communist Party, they have not appreciably relaxed their pressure on non-Communists. Relations between Yugoslavia and the Cominform countries could not be worse, short of open war, yet opportunities are seldom missed by leading Yugoslavs of insulting the Western 'imperialists' and their 'monarcho-fascist Greek agents'. This tense and complex situation must place a heavy strain on the nerves of the Marshal and his colleagues. So far they have withstood it.

TITO AND THE PEASANTRY

Already in 1945 the organization of the pre-war political parties was smashed. The social classes which provided their leadership, the bourgeoisie and the old bureaucracy, have been made powerless by the Government's seizure not only of factories and mines but of all wholesale and retail shops The only remaining social basis for non-Communist opposition to Tito is the peasantry. The Government has long been aware of this, for the leaders of the Croatian and Serbian peasant parties have been more vigorously persecuted than the leaders of the old right-wing parties. The Serbian peasant leader Dragoljub Jovanović was sent to prison for nine years in 1947 on a charge of espionage and conspiracy on behalf of the Western Powers. The Croatian peasant leaders are mostly in exile The most active of those remaining in Yugoslavia, the former member of parliament Toma Jančiković, was given a ten-year sentence in 1948 The only non-governmental organizations which still have some access to the peasantry are the churches. Since the condemnation of Archbishop Stepinac of Zagreb to sixteen years imprisonment, and the flight or arrest of many bishops and priests, the Catholic Church has operated under great difficulties. The Orthodox Church in Serbia is slightly freer, but the authorities are constantly on the watch for any action which they could interpret as 'political interference' by the priests.

Though it is now clear that the quarrel between Tito and the Cominform is irreconcilable, and that the Soviet threat to Yugoslav independence is extremely serious, there is no sign that the régime intends concessions to the peasantry. Not only are Jovano-

vić, Jančiković, and the others still in gaol, not only are the churches still repressed, but a vigorous onslaught is being made on the peasantry as a class. Through the collectivization of agriculture the peasants are being brought into complete subjection to the Communist State

From the beginning of 1949 there has been a drive for mass collectivization. At the end of 1948 there were 1,300 'peasant labour co-operatives' in Yugoslavia. By midsummer 1949 there were more than 4,500 In a speech in the central Parliament on 28 May 1949 the Minister of Agriculture, Mijalko Todorovic, declared: 'Not much time will pass before peasant labour co-operatives become the predominant form of agriculture in our villages' By midsummer half the agricultural land of the Voivodina—Yugoslavia's richest grain-producing province—was held by collectives In Macedonia the proportion was 37 per cent and in Yugoslavia as a whole it was stated to be about 20 per cent.

THE PACE AND SCALE OF COLLECTIVIZATION

The pace of collectivization in Yugoslavia is comparable to that in the Soviet Union twenty years ago. Contact between foreigners and Yugoslav peasants is so difficult that no confident judgment is possible on popular reaction to the policy But at least there does not seem to be opposition on the catastrophic scale that caused the Soviet famines of the early 1930s The general reason for the difference is that the methods are less brutal and the changes less radical.

The right of individual households to own small allotments, on which they may grow crops and raise beasts or poultry up to limits defined by law, which was only granted in the Soviet Union after the disaster, has been conceded in Yugoslavia from the beginning Several types of collective farm are permitted, in some of which payment to members is calculated not only by the amount of work performed but also by the amount of land contributed by each family Those in which work is the sole basis of pay are officially regarded as a 'higher type', but official policy is to 'educate' the peasants by example rather than force them prematurely into farms of the 'higher type'.

The drive against the kulaks is also much less severe in Yugoslavia than it was in the Soviet Union, or even than it is today in the neighbouring 'popular democracies'. In the latter no kulak is allowed to join a collective farm. As interpretation of the word 'kulak' is not easy, there is much scope in these countries for personal vindictiveness and doctrinaire intolerance. Official spokesmen in both Hungary and Poland have admitted that abuses have occurred in the anti-kulak offensive. In the Soviet

Union the 'liquidation of the kulaks' was so conducted as to antagonize the whole peasantry in large areas, with disastrous economic results. In Yugoslavia kulaks are not excluded on principle from collective farms. Those who accept the rules and show that they are willing to observe the discipline are admitted. This policy is of course denounced by Cominform propaganda as a betrayal of Marxist-Leninist-Stalinist doctrine, and as neglect of the class struggle in the villages Premature building of collective farms before class differentiation has removed the kulak rot is, the Cominformists assert, a false policy, compounded of both Trotskyist and Bukharinite heresies.

THE COLLECTIVES AND URBANIZATION

But the Yugoslav Communists are not dismayed by Cominformist attacks. Their reasons for collectivizing agriculture are the same as those of the Soviet leaders in the 'thirties or the 'popular democratic' leaders today They need to establish a systematic centralized control over the hitherto scattered peasantry, in order to ensure regular and increased supplies of food for the rapidly growing cities, and regular and increased supplies of recruits for industry. Lacking skill and machinery, their foreign sources seriously reduced by the completion of the Cominform boycott, they must rely, even more than their 'popular democratic' neighbours, on the one resource which is available for the achievement of their Five-Year Plan—cheap, tough, unskilled labour. The surplus manpower of the villages, which in the pre-war economy was a source of weakness, can now be made a source of strength. What could be done by skilled workers with machines, must be done, if there are neither skill nor machines, by several times as many pairs of strong hands But the hands must be found Under a system of collective farms, with their managing committees controlled by the local representatives of the Communist Party, systematic recruitment for the factories at last becomes possible. The Yugoslav Communists, threatened by international dangers, are in an even greater hurry to complete their plan than their neighbours. That is why they are pushing collectivization faster than their neighbours, even than Bulgaria.

Their policy is bound to cause discontent. Workers, peasants, and managers are all faced with almost superhuman tasks. Few will enjoy them. But at least it is common sense to minimize friction. That is why the Yugoslav Communists, though hurrying on with collectivization, are avoiding the bitterness of a war in the villages against the kulaks.

But that is as far as the Government is prepared to go. The peasants will be spared unnecessary brutality, but there is no

question of allowing any political leadership to exist that could provide an alternative to Tito's team. There is no question of a compromise on the social policy designed to extract from the whole peasantry the last ounce of effort in the economic plan, which alone, in Tito's view, can secure the independence of Yugoslavia.

POLITICAL DICTATORSHIP

It is a profound mistake to underrate Tito's devotion to Communism Tito is as convinced as his opponents in Moscow that 'Marxism-Leninism' provides a 'scientific' answer to all human problems. His hatred and contempt for the 'bourgeois imperialist West' are as profound as those of his former masters He is no more grateful to the British, who helped him out of several tight corners in 1944, than are the Soviet leaders for the supplies or the war effort of the United States and Britain He merely believes that he and his advisers, with their knowledge of their own country and people, gained during the four years of national and civil war, know better than the experts of the distant Kremlin how to apply the 'science' of 'Marxism-Leninism' to Yugoslav conditions This, and a native Yugoslav pride that prevents them from making continuous ceremonial kowtows before the majesty of any foreign despot—even if he rules over Mother Russia—, is all that divides the Yugoslav and Soviet leaders But this division is enough to cause mortal enmity.

Meanwhile Tito knows that his non-Communist opponents dislike his régime less than that of the Cominform. Therefore he believes that he can exploit their patriotism without paying any political price for it. His policy resembles that of Colonel Beck in Poland in 1939, or King Carol II of Rumania in 1938–40, or Schuschnigg in Austria before the Anschluss The last parallel is perhaps worth exploring Schuschnigg's 'Fatherland Front' had a political monopoly. Its ideology was a kind of fascism. It extolled German culture. It persecuted Austrian democrats and socialists Yet it tried to fight Nazi Germany In practice, the Fatherland Front provided an excellent camouflage for the agents of the Nazis. Behind a smoke-screen of fascist phrases and verbiage about German culture, these agents prepared their treason against Austria. One of their main tasks was to prevent any improvement of Austria's relations with Czechoslovakia or France, her natural allies against Germany. They denounced as 'Reds' any Austrian patriots who suggested such a change in foreign policy. So great was the horror felt by Schuschnigg and his friends towards 'Reds' that mention of the word made them tremble. What the crypto-Nazis could do in Austria under Schuschnigg, the crypto-Cominformists certainly have a good opportunity to do in Yugoslavia

today. Behind a smoke-screen of 'Marxist-Leninist' phrases and of enthusiasm for Slav culture, they too can prepare treason. The complete monopoly of expression assured to 'Marxist-Leninist' ideas is of obvious value to them. And they can denounce as a 'reactionary' any Yugoslav who suggests better relations with the West or with Greece. For the sound of the word 'reactionary' causes the same shiver of horror to the Yugoslav leaders today as the word 'Red' caused in Schuschnigg's Austria.

ELEMENTS OF WEAKNESS

Maintenance of a Communist dictatorship, directed with equal ruthlessness againts non-Communists and Cominformists, is clearly Tito's intention. And as long as no organized opposition exists, and Yugoslav patriotism can be exploited in resisting Soviet and Cominform pressure, the policy can be justified on grounds of expediency. But there are two unknown factors which should be taken into account.

The first is the morale of the people. One may support the lesser against the greater evil, but one does not fight for it with the same devotion as for a cause which one feels to be one's own. In its present danger, the Yugoslav Government needs more than passive support Serbian and Croatian nationalism, Catholicism and Orthodoxy and Islam, peasant discontent and the desire of common men and women for freedom of speech, all these things can be kept down by force, but they cannot quickly be removed from people's minds They are still there, and they are still influential. They lower morale, introduce confusion, and hamper unified support for the Government against the external threat It is a short-sighted form of 'realism' which ignores this aspect of Yugoslav affairs

The second unknown factor is the Cominform fifth column. It would indeed be surprising if within the Yugoslav Communist Party, and especially among its older and more devoted members, there were not doubts and disaffection. There must be some who sympathize with Cominform, and more who, without necessarily agreeing fully with Cominform, passionately desire, and still think possible, a reconciliation with Moscow. To entertain among elements of the Yugoslav Communist Party the illusion that reconciliation is possible is as essential for Moscow as, for instance, to maintain the illusion among a section of West European Socialists that friendship and co-operation between Socialists and Communists is still possible. The extent of the fifth column—of Cominformists and 'Cominformist fellow-travellers'—within the Yugoslav Communist Party is by no means clear. Especially is this true of the security police (UDB), which was recruited

during and after liberation from fanatical 'Marxist-Leninists'. Hitherto its chief Rankovic (a target of Cominform denunciations second only to Tito himself) has kept it loyal It does not follow that the future may not hold unpleasant surprises.

YUGOSLAVIA AND THE WEST

Western friends of Yugoslavia must note these two weaknesses of the present régime. Western democrats would naturally like on general grounds to see some relaxation of the dictatorship But here is a question not only of ideological sympathy but of national security. Internal discontents, low national morale, and Cominformist infiltration are serious dangers. The Western Powers, when considering whether to help Yugoslavia, must ask themselves these questions. 'Is this régime capable of resisting? Will our help be used to make its resistance more effective?' American experience of Kuomintang China is a warning.

Certainly, if Yugoslavia is capable of resisting, then there is a strong case for helping her. The Western Powers are not especially concerned with her internal régime as such It is her independence that they wish to see safeguarded But measures to safeguard her independence must take into consideration the internal strains and stresses to which the régime is subjected.

Obviously an independent Yugoslavia is preferable to a Cominformist Yugoslavia Yugoslav independence pushes the Soviet threat well back from the Mediterranean at most points, and has already relieved the pressure on Greece If Yugoslav independence is valuable to the West, it is also—once Moscow has irreparably antagonized Tito—a nuisance to the Soviet Union. The most sensitive spot is, of course, Moscow's lonely Adriatic outpost and most backward European colony, Albania The ports which control the eastern shore of the Straits of Otranto could be of great value to the Soviet Union, provided they were linked by land communications with Bulgaria The obstacles are not only the poor roads and elementary railway development of Albania—these can, and by ruthless labour conscription no doubt will, be remedied—but the separation of Albania from Bulgaria by Yugoslav and Greek territory.

Macedonia, indeed, is coveted not only by Bulgaria but by the Soviet Union. Control of Macedonia is vital for Soviet access not only to the Aegean but also to the Adriatic. The U.S.S R and Bulgaria have both long-term and short-term aims for both Yugoslavia and Greece. The long-term aims are a Communist Greece including Crete, Cyprus, and Eastern Thrace, and a 'South Slav federation' controlled not from Belgrade but from Sofia, a new Bulgarian empire within which the Yugoslav State as it has ex-

isted since 1918 would disappear altogether. But the short-term aim for both Sofia and Moscow is the detachment of Macedonia from Yugoslavia and Greece. As the Greek rebels meet with increasing difficulties, and the isolation of Albania becomes more dangerous, action in Macedonia becomes more urgent But partisan or komitadji warfare by Macedonian guerrillas is not a threat that would cost Tito his night's sleep. Yugoslavia has thirty years' experience in repression of komitadjis, and Tito's methods are more ruthless and more effective than those of the late King Alexander. An invasion by the Bulgarian army, even if it were joined by the Hungarian and Rumanian forces, could be repelled. A Soviet invasion would have unpredictable international consequences.

H. S.-W.

TECHNICAL ASSISTANCE FOR BACKWARD AREAS

AN INTERNATIONAL PROGRAMME

THE development of the economically backward areas of the world has been one of the main purposes of all the colonial expansions of history. It has been the basic aim of the worst as well as the best pioneering efforts, now often branded as imperialist exploitation In the twentieth century the idea of economic development has inevitably taken a new form, for the old type of economic exploitation is no longer politically expedient or morally justifiable.

Today, moreover, the highly developed countries are no longer merely seeking the raw materials of wealth; they have other more complex aims. They have, as never before, a stake in the peace and order of the entire planet. They must, therefore, promote in the great backward areas of the world the political and social stability which can only come from increased prosperity. Great industrial nations also need developing markets to absorb their huge and ever-increasing output. These markets can only be provided by the development of backward territories.

For the age of the old imperialism is over. Politically it is being superseded by the evolution of new independent nations, often

modelled on the institutions of their former imperial rulers. Where this process has been unduly delayed great dangers of political and economic chaos now exist. Where timely action has been taken, the new, independent institutions show a healthy political vigour But in the economic sphere the old order has not been so promptly replaced. On the one hand, the developing countries are faced by increasing demands from their awakened populations for prosperity and social security, without having the technical skill or resources to meet these demands. The new governments must make good their claim to serve their peoples better than their former rulers. On the other hand the highly developed countries constantly need new markets. They will also be seriously threatened by the political disorders that may now so easily be fomented in the great backward areas of the world, if conditions of poverty and oppression continue to exist. Thus the challenge of economic development is common to all free nations who wish to preserve in prosperity the democratic form of government

THE NEED FOR AN INTERNATIONAL PROGRAMME

It is in this context that an international programme of technical assistance for economic development, carried out through the United Nations and its specialized agencies in accordance with the principles of the United Nations Charter, may provide the best long-term insurance against world political disorder and economic chaos in the future. International action, apart from its advantages as a means of using the experience and resources of many countries in tackling what are often regional and sometimes even world-wide problems, has notable advantages from the point of view of the under-developed countries themselves. The exploitation and abuses so frequently associated with development in the past have left a legacy of distrust, which often hampers the introduction of new techniques into the less advanced areas. The best remedy for such distrust is to provide assistance in ways clearly directed towards the achievement of a fuller and better life for the peoples of the recipient countries. Their confidence and co-operation is likely to be given most freely to an international programme in which they can play their part alongside the economically advanced countries.

The provision of technical assistance for economic development is not in itself a new idea. Technical assistance has been provided on a limited scale by highly developed countries in less developed areas for many years, both under bilateral arrangements and through the channels of private enterprise. Since the second World War the provision of various forms of technical assistance has also been one of the principal functions of the specialized agencies of

the United Nations. At its 1948 session in Paris the General Assembly of the United Nations (in its Resolution 200 [III]) authorized the Secretary General, in co-operation with the specialized agencies, to expend a very limited sum of money to meet the requests of Governments for technical assistance in various ways. These included the organization of international teams of experts to advise on economic development, the arrangement of training facilities at home and abroad for experts and technicians from under-developed countries, and assistance to Governments in obtaining personnel, equipment, and supplies. Thus considerable attention has already been given to the subject, although in the international sphere the financial resources so far available have been small.

PRESIDENT TRUMAN'S INITIATIVE

The whole question of technical assistance was brought forcibly to the attention of the world by President Truman in the fourth point of his inaugural address on 20 January 1949, in which he proposed a 'bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas'. He went on to say: 'Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more materials for housing, and more mechanical power to lighten their burdens. . . . This should be a co-operative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.' This statement caused much speculation not only in under-developed countries and in international organizations, but also in Washington, and its exact import is only now beginning to become clear.

Following up President Truman's initiative, and on the instigation of the representative of the United States, the Economic and Social Council of the United Nations on 4 March 1949 adopted a resolution requesting the Secretary General to prepare a report for the ninth session of the Council setting forth.

1. A comprehensive plan for an expanded co-operative programme of technical assistance for economic development through the United Nations and its specialized agencies, paying due attention to questions of a social nature which directly condition economic development;

2. Methods of financing such a programme, including special budgets;

3. Ways of co-ordinating the planning and execution of the programme.

As a result of this resolution, the Secretary General, in con-

sultation with the executive heads of the International Labour Office, the Food and Agriculture Organization, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the World Health Organization, the International Civil Aviation Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Refugee Organization, prepared a report which was considered by the Economic and Social Council at its ninth session in Geneva.

The Council recommended for the consideration of the General Assembly a plan under which the Secretary General would set up a special fund for technical assistance and would invite all Governments to contribute The machinery for administering the programme of technical assistance thus financed would consist of a Technical Assistance Committee of the Economic and Social Council, which would sit between sessions of the Council, and a Technical Assistance Board composed of representatives of participating organizations and served by an Executive Secretary appointed by the Secretary General The Technical Assistance Board would examine the annual programmes of each participating organization and make recommendations to the Council. Should it fail to agree on any question it would refer the question in dispute to the Technical Assistance Committee of the Council for decision. This plan is to be considered by the General Assembly at its fourth session now in progress It may then be possible to make a rough estimate of the size of the contributions that may be available

In the absence of precise information either as to the size and nature of contributions to the technical assistance fund or of the exact needs of the recipient countries, the Secretary General's report to the Council gives a comprehensive summary of the kind of work that can be done by international organizations over an extended period of time on questions of technical assistance.

CONDITIONS FOR SUCCESS

The process of economic development is long and slow, and results can be expected over periods of decades rather than of years. The provision of technical assistance in all its forms is only the first half of this process, the second half being capital investment for which technical assistance has created suitable conditions It is unlikely that more than a small part of the capital thus invested will come through international channels.

The success of any technical assistance programme will depend very largely on the efforts of the recipient countries themselves, for there is no intention of producing economies permanently run from

outside by foreign experts. It is important to remember that economic development is not, and cannot be, an isolated phenomenon, but is the product of simultaneous development in many fields. Thus balanced development, which is the objective, will have far-reaching consequences on all aspects of life and government. Economic development not only makes possible, but also demands, higher standards of nutrition, health, and education. The social consequences of uneven or ill-advised development may be disastrous, particularly where it serves merely to increase the wealth and power of a small section of the population.

It is here that the attitude of Governments of recipient countries will be most important in establishing the internal conditions on which sound development depends Obsolete and oppressive systems of land tenure and inadequate credit and marketing facilities may retard agricultural development A stronger and more efficient public and private financial structure and an overhaul of government fiscal policies is essential in many countries. The expansion and strengthening of other governmental activities will also often be needed to protect the lawful interests of the people in changing social circumstances Extensive changes will be necessary, too, in the attitudes and habits of the people Workers for new industries will come from families which have lived on the land for centuries. The comparatively wealthy must be prepared to invest in new productive enterprises and not merely to hoard their wealth in land, precious metals, or commodity stocks. Traditional methods of cultivation and handicraft must often be modernized, and new crops and breeds of livestock be introduced The inevitable social and psychological strains thus caused can best be eased by a wide understanding of the development programme itself among those whose interests it affects

It is also vital that development in each country shall meet the needs and potentialities of that country and not force it into unsuitable or alien economic patterns, nor, by over-development of one particular aspect of economic life, produce dangerous social problems.

Another crucial consideration is the availability of suitable experts, in particular from highly developed countries Quality is even more important than quantity, for unsuitable technical advice given at a critical stage in a development programme may be ruinously costly or worse If competent personnel are to be made available in sufficient numbers, the full co-operation of universities, technical schools, foundations, and research institutions will be required, especially until the programme begins to produce its own crop of experts.

Finally, continuity is vital to a programme which can only begin

to prove its value over a period of many years, and the waste and dislocation entailed in abandoning it half-way would be very great. As against this, it should also be said that the success of the programme will depend to a great extent on the early achievement of practical results.

GENERAL PRINCIPLES GOVERNING THE PROVISION OF TECHNICAL ASSISTANCE

No uniform, detailed terms on which international technical assistance should be furnished have yet been formulated. But the General Assembly of the United Nations has already defined certain general principles governing the entire collective effort of the organization and its specialized agencies in this field, of which the following are the main points. The kind of service rendered to each country shall be decided by the Government concerned Technical assistance shall not be a means of foreign economic or political interference in a country's internal affairs, and its provision shall not be influenced by political considerations. It shall be given only to or through Governments. The receiving Governments themselves will undertake to provide the sustained effort required for successful development and will progressively assume responsibility for the operating programmes, listen to advice given, and generally co-operate with and support the organizations giving technical assistance

The range of possible activity in providing technical assistance is very great The under-developed areas themselves are so extensive, their problems so great, and their potentialities so diverse, that only the most summary idea can be given of the possibilities A few general facts give some indication of the size of the problem and of the need for initiative on a global scale The average income of more than half the world's population is less than £25 a year. The average output per person achieved in backward areas is less than one-tenth of that achieved in agriculture in the more advanced States The average life-expectancy is generally half as long as in highly developed countries. Illiteracy is widespread in most under-developed areas, and the level of education will not support sound economic development. Thus, although technical education must have a high priority, and soil conservation and improved agriculture may be the first step towards a prosperous economy in almost all under-developed countries, progress will depend on parallel advance in more basic fields, such as health and elementary education. Similarly, at a later stage a programme of industrialization and diversified agriculture will depend to a great extent on the provision of power and transport. It is for this reason that the whole family of United Nations organizations and agencies is

and must be intimately concerned with a programme of technical assistance.

FORMS OF TECHNICAL ASSISTANCE

In the following paragraphs examples will be given of the type of work which each organization expects to do. But first it will be worth giving a summary of the main forms which the technical assistance operations of most of the organizations are expected to take. These forms include advisory missions, direct help in operational activities, provision of opportunities for training at home and abroad, practical demonstration of modern techniques, and industrial research. Advisory services may be requested for one specific aspect of economic life or for a general assessment of a country's human and material resources. Training of technical personnel at all levels will be one of the most urgent tasks, and at first much of this training must be done abroad until the necessary domestic facilities have been developed Demonstrations, ranging from those executed by a single person to highly complicated projects involving a sizeable productive undertaking, have already proved a most useful method of training. The adaptation of modern technology to meet the more restricted needs of less developed countries in the most efficient way is often necessary, and this object can best be achieved through pilot plants where the necessary research on suitable processes and machines can be done and small scale productions started. Finally, the dissemination of scientific and technical information will ensure that advantage can be taken in the under-developed areas of recent developments throughout the world.

THE ROLE OF THE U.N. AND ITS SUBSIDIARY ORGANIZATIONS

The United Nations itself is responsible for the general co-ordination of any international technical assistance programme, as well as for certain more specific fields, such as industry and transport, which are not at present covered by any specialized agency. For the purposes of co-ordination and the avoidance of overlapping, it is intended to set up at United Nations headquarters a joint board for all the participating organizations which will review all requests for and projects of assistance. This board may also set up the comprehensive missions that may be required to make initial surveys of the needs and potentialities of a given area, for, as has already been pointed out, the solution of immediate problems in under-developed areas may often depend on progress in a wider field, and thus balanced development will usually be best achieved by a comprehensive plan based on a realistic assessment of prospects and the acceptance of certain priorities. Few backward

countries are themselves equipped to make such an assessment, and the existing facilities of the United Nations and its agencies can be used for this purpose on a co-ordinated plan. It should be remembered that a country preparing for future development must take into account not merely its own resources but also the state of world trade and the plans of other Governments It must consider the present and prospective world demand for its products and the related production plans of other countries. Here the various United Nations organizations are particularly well qualified to give advice and assistance.

While discussing the role of the United Nations itself, it should be said that there are, at present, differences of opinion as to the best method of financing an international technical assistance programme. These different suggestions range from completely centralized financing through a common fund administered by the United Nations, to completely decentralized financing, with each specialized agency responsible for obtaining and spending the budget for its own technical assistance programme It seems probable, in the light of recent discussions at Geneva, that contributions will be made to a central fund, a large portion of which will be automatically allocated to the participating agencies

The more specific activities of the United Nations will be largely a development of what is already done under the resolution of the General Assembly mentioned above. Perhaps the most important of the fields not covered by any specialized international agency is that of manufacturing and extractive industries, where the application of modern techniques may not only increase the supply of raw material for the expansion of domestic industry but also provide the exports needed to finance the external needs of this expansion. In this connection scientific and industrial research on selected problems of critical importance to the country concerned may be of the greatest value For example, there appear to be great possibilities in the industrial uses of tropical vegetation. Bamboo, mangrove, and other profusely-growing tropical plants can almost certainly be used successfully to make wood-pulp and textiles Tropical substitutes for petroleum and other fuels are also an important but untried possibility. Regional research centres would play an important part in these and similar experiments, of which the most suitable would then be carried forward in pilot plants and demonstration projects, and ultimately in fully-fledged productive undertakings.

The lack of mechanical power, which is a great obstacle to industrial development in many countries, may also often be largely overcome by the effective use of natural resources, such as minerals, water, and even wind, and their suitable use may be

linked with the solution of other problems such as flood control, soil erosion, the provision of urban water supplies, and the improvement of inland water transport The improvement of transport and communications is also a field in which a relatively small outlay in expert advice and demonstration may produce large results. The construction of low-cost transport facilities, such as rural roads, will immediately result in increased food supplies in urban areas and the supply of incentive goods to agricultural areas, in the increased mobility of rural labour, and in the spread of new ideas, thus preparing the way for capital investment in more expensive improvements such as railways and harbours.

The United Nations already provides assistance to Governments in the improvement of governmental administrative services, particularly in such matters as the collection and analysis of statistical and economic data and in the formulation of economic and fiscal policies and investment plans Such measures, aimed at establishing the economic and social climate essential for the promotion of economic development, will be an important part of the United Nations programme

Finally, under-developed countries may need help in adjusting the needs of economic development to the traditions and customs of their people Social development is an important part of successful economic development. Advice on population problems, social welfare services, housing, public morale, etc., may well be necessary if economic development is to be a blessing rather than a curse. International organizations, able to draw on the experience of all their members, are well qualified to give advice in these matters.

FOOD, AGRICULTURE, AND LABOUR

In the under-developed countries, 50 to 75 per cent of the population is engaged in food production, but the food supplies of most of these areas are notoriously inadequate both in quantity and in quality. The increase of indigenous food supplies and of agricultural and forestry products, both for internal consumption and for export, will, therefore, always form a fundamental part of schemes for economic development. The Food and Agriculture Organization is the primary agency in this field, although its work will require the co-operation of several of the other agencies.

In return for a relatively small financial outlay, agricultural improvement offers vast possibilities. Often quite simple improvements in methods of husbandry, such as the provision of more effective tools and the use of better seed and fertilizers, would bring about important changes. It is conservatively estimated that world livestock production could be increased by 25 per cent in ten

years through selective breeding. Control of animal diseases and better feeding could have similar results. For example, rinderpest, the major livestock disease of Africa and Asia, which accounts for the loss of two million cattle annually, could now, given co-operation in the areas concerned, be stamped out by the use of vaccines.

Better use of available resources can also cause a large increase in agricultural products. At present, insects, rodents, and fungi destroy annually about 30 million tons, or 10 per cent, of the annual world crop of stored grains and edible legumes, an amount sufficient to feed 150 million people These losses can be vastly reduced by known and comparatively simple methods. Hundreds of similar examples could be given in connection with forestry and fisheries, where higher and more profitable yields can be obtained by more efficient methods and by the intelligent use of by-products.

An essential complement to agricultural improvement is the expansion and diversification of non-agricultural industries. Such a development will raise productivity, living standards, and stability by increasing the diversity of the economy, allowing more efficient use of resources, and facilitating capital formation. Such results will reduce the vulnerability of under-developed countries to world economic fluctuations caused by variations in the world demand for primary products, and will itself provide expanded domestic markets and incentives for increased production

The technical side of this development has already been referred to. Improved conditions of life and labour are an equally important aspect of the problem, since they are both a prime objective of economic development and a means to its achievement. No development plan in the twentieth century can ultimately succeed without a skilled and healthy force of workers co-operating fully on new tasks, in the knowledge that they are promoting the welfare of their own families

The International Labour Office is, and has long been, concerned with this problem on a limited scale, and will have a vital part to play in any new international plan of development. The activities of the I.L.O. cover the whole field of labour conditions and relations. The relation of economic development policies to labour income and employment; training and migration (in co-operation with the I.R.O.), industrial relations, including the backing for settling industrial disputes; wage policies; industrial safety; occupational health (in co-operation with the World Health Organization); labour legislation; social security; agricultural and maritime labour problems; technical advice on specific industrial and social problems of certain populations, all are included within its scope. In addition the I.L.O. is active in the solution of the specific labour problems of different countries. In co-operation

with Governments and with other specialized agencies, the I.L.O. will thus play an increasing part in all development schemes.

Improved transport facilities have already been mentioned. Air transport, with its ability to cross natural obstacles, is particularly important in under-developed countries in giving access to natural resources and in linking widely scattered centres of population economically, administratively, and politically. Similarly, it can bring any country into close connection with world economic centres. The International Civil Aviation Organization is well qualified in this field to give assistance on aviation problems, aerodromes, organizational and operational standards, and the training of personnel.

HEALTH AND EDUCATION

A prerequisite of any large-scale economic development in most under-developed countries is the raising of the standard of health. This, in the international field, is the function of the World Health Organization. Health problems impinge on many of the possible projects that have already been mentioned. For example, an improvement in the rice yield, beneficial as this would be, cannot achieve its full effect in areas where the planters and harvesters are incapacitated by malaria, a disease which affects about 300 million people each year, causing 3 million deaths and a work loss of 20–40 days each among the survivors Irrigation and drainage projects are directly affected by schistosomiasis, which is contracted from polluted water. Such diseases are prevalent in wide areas of Asia, Africa, and the American continent, and in the Middle East it is estimated that 90 per cent of the rural population are affected. These and other diseases—typhus, relapsing fever, yellow fever, plague, cholera, dysentery, enteric fevers, parasitic diseases, small pox, venereal diseases, and diphtheria—can be controlled and even eliminated by known methods, such as insecticides, protection of water supplies, and the use of vaccines. The knowledge is available, if there can be organization for implementing it

The areas of the world which have the best health also have the highest productivity, large investment in the health of the people is an essential part of successful economic development. But results cannot be obtained without long-term health programmes, although confidence in these programmes must be established among primitive peoples by spectacular initial successes.

An even greater difficulty in the maintenance of such programmes is the laying of a sufficient foundation of fundamental education, whereby the indigenous populations may acquire sufficient knowledge and skill to perform even the simplest functions in such a health programme. This problem also affects improve-

ment in all the fields of development already mentioned. The problem of fundamental education, more far-reaching than the mere abolition of illiteracy, is one of the principal concerns of UNESCO, which has given the matter intensive study and is developing techniques whereby a foundation can be laid for the acquisition of the requisite knowledge and skill.

Advice and assistance will also be required and can be made available in the setting up of whole systems of technical education both within under-developed countries and outside them, and in their integration with suitable industries.

The backing of economic development by research is also a primary concern of UNESCO, in co-operation with other agencies Scientific progress can best be maintained by the establishment of research and liaison centres in under-developed areas, which will serve to keep scientists in these areas in touch with recent developments throughout the world There are large areas of the earth which have common scientific problems The problems of the arid zones, the tropical humid zones (e g. the Amazon basin), and high altitude plateaux such as the Andes and Himalayas can most efficiently be studied on an international basis by a pooling of knowledge and resources. UNESCO has already initiated some work on these problems.

Migration, and in particular the immigration of skilled workers, although unlikely to be as important in the twentieth century as it was in the nineteenth, can still make a substantial contribution to the development of relatively under-populated countries Under modern economic and social conditions successful migration either for employment or for settlement requires very careful planning which can best be done by international organizations. The International Refugee Organization is the special organ in this field, which also concerns the I.L.O

IMMEDIATE AND LONG TERM PROSPECTS

At the time of writing the final decision on the exact method of financing and implementing this programme is still to be made It seems likely that its beginnings will be financially modest. It may have, in its first year, a sum of the order of $15 million to spend. Experience of large-scale international operations must be gained gradually and cautiously if serious blunders are to be avoided. Indeed, it may be best to start with only one or two large projects and a few small ones, and so gain the necessary experience and public confidence. A start might well be made, for example, on a river valley development project in the Middle East, which would serve to meet some of the most urgent political problems which now afflict that vital area of the world. Such a

project, if successful, would also be invaluable in giving experience to the international organizations and in giving confidence to the peoples in other under-developed areas in plans that may affect them in the future.

This outline can only give the most superficial sketch of a programme, the problems of which are as complex as its possibilities are boundless. The maintenance of such a programme on an international basis will be especially difficult in its early years, since it will be able to show few quick results, and it will inevitably cause disappointment to many peoples who, deluded by the resounding phrases often rashly used, expect immediate and inestimable blessings The project will certainly be attacked and possibly sabotaged by all kinds of vested interests both within and outside the under-developed areas It has already been assailed as a new and ingenious form of colonial exploitation From other directions come the rumblings of the perennial accusation of loose international spending and acclamation of the greater merits of private national enterprise and initiative.

None of these difficulties will be new to those who have had experience of international projects. It is likely, none the less, that the programme will stand on its own merits and progress from modest beginnings with gathering momentum Such a programme, imaginatively and efficiently run under the auspices of the world organization, might well be a decisive step in balancing the world's economy and in the settling of the mass political and social unrest which now threatens the future of organized society Should such a programme get into its stride, it might eventually become possible for the international community to anticipate the great historical developments of power and population which have hitherto tended to catch humanity unawares, and to take steps to deflect into peaceful development the dangerous forces thus engendered. Such a prospect is still very far off in the future, for the most elementary obstacles have yet to be overcome. It is now certain only that with good faith and sustained effort on the part of all those concerned, great good can accrue from such a programme to the world as a whole.

E B.

SWEDEN TODAY

SOME PROBLEMS OF INTERNAL AND FOREIGN POLICY

IN the autumn of 1948 Sweden had its first post-war general election During the years immediately preceding it the growing popularity of the Liberal (People's) Party had led to the belief in some quarters—especially abroad—that this party might wrest so great a number of seats from the Social Democrats as to force them to form a coalition Government, either with the Liberals, or with the Farmers' Party, or with both. The results of the election therefore came as something of a surprise to supporters of this theory. The Liberals certainly gained a large number of additional seats, but mainly at the expense of the Conservatives and the Farmers' Party, while the Social Democrats were confirmed as the largest single party in the House Admittedly they were in a slightly less stable position in the Second Chamber than hitherto, but they continued to enjoy a secure majority in cases of a joint vote of both Chambers, such as, for example, on questions of finance The new Riksdag presented the following picture (figures for previous Riksdag in brackets)

Social Democrats	112 (115)
Conservatives	23 (39)
Liberal (People's) Party	57 (25)
Farmers' Party	30 (36)
Communists	8 (15)

The continuance of support for the Social Democrats, despite the deterioration in the country's economic position during the last two years they were in power, must be interpreted as proof that the nation as a whole did not hold them responsible for this development. After some abortive attempts to form a coalition with the Farmers' Party to secure an overall majority in the House, the Social Democrats therefore decided to continue in office alone. They were undoubtedly justified in doing so, as it seems out of the question that the opposition parties would ever combine with the Communists in order to defeat the Government

One of the main reasons for the continued strong support accorded to the Social Democrats was their determined anti-Communist policy and the success which had attended it in the last few years. The Communists themselves realized that their position was becoming more precarious, for they repeatedly tried to reach an agreement for collaboration with the Government party. Such offers, however, were regularly and firmly turned down by the Social Democrats, allegedly on ideological grounds,

since it was essential to 'define the democratic boundary line'. The Communists thereupon adopted the Social Democratic programme as their own, in the hope that this might serve as a sop to the electorate and give them an opportunity to criticise Government policy more effectively. Nevertheless, as is apparent from the figures given above, they were soundly beaten at the polls in 1948. Equal ill fortune attended them in the trade unions, where they have lost, and still continue to lose, a great deal of their influence, and were unable to prevent the Executive of the Trade Unions Federation from withdrawing from the World Federation of Trade Unions in keeping with the step taken by the British, American, Dutch, Belgian, Norwegian, and Danish organizations.

Nevertheless, it would not be correct to say that the misfortune which has overtaken Swedish Communists at present is entirely due to the Government's anti-Communist policy, or to assume that they no longer form a potential danger to the country. Another prominent factor which affected the fortunes of the party was the change in the international situation. This was bound to produce strong repercussions in a country whose whole eastern coast line faces Communist-controlled countries, and where distrust of Russia, based on a century-old fear of their Eastern neighbour, is inherent in every citizen After the war the Swedish Government had tried to create and maintain good relations with the Soviet Union, by entering, for example, into an important trade agreement with the U.S S.R. which also involved a 1,000 million kronor credit, by trying to spread greater knowledge of Russian literature and culture, and by the early recognition of Poland. But when relations between the great Powers began to show signs of strain, and the U.S.S R. tried to extend her domination further and further westward, Sweden's natural Western orientation reasserted itself, and the Swedes returned—perhaps almost with a feeling of relief—to their old distrust. As a result certain Swedish supporters of the Communist Party, who were prepared to vote for it as long as the great Powers were united, abandoned their allegiance. Nevertheless the party still retains a solid core of some 30,000 voters in the mining district of the north, near the Finnish frontier, and also enjoys a great deal of support in Sweden's principal shipping port, Goteborg.

As has been explained in an earlier issue of this review,[1] the ravages of the war as they affected the international economic situation, and the slow revival of international trade in the post-war years, had their repercussions even on Sweden, and led to a serious economic crisis which began in the summer of 1947 and from which the country has not yet entirely recovered. No longer

[1] 'Sweden's Economic Crisis', in *The World Today*, December 1947.

is Sweden the paradise of the foreign shopper: gone are the nylon stockings and other luxury goods which were once so easily obtainable. The shortage of hard currency makes it imperative for import licences to be carefully scrutinized lest they unnecessarily deplete the scanty Swedish dollar reserve, and in consequence the import of luxury goods has been suspended. Thus coffee and petrol continue to be rationed because Sweden cannot afford to increase her import of them, although in the case of petrol the difficulty is increased by the impossibility of estimating how many new motor vehicles might take the road once petrol were free (Sugar, on the other hand, the only other food still on the ration, may be derationed by the time this article appears, as the necessary supplies can be obtained without the expenditure of hard currencies.)

But these are minor hardships, and shortly after last year's elections the new Prime Minister, M. Erlander,[1] announced that the nation had at last made good the decline in its standard of living caused by the war. The Minister of Commerce, John Ericsson, last June expressed his satisfaction at the manner in which pulp exports had so far been maintained this year, despite the loss of sales in the United States. He also pointed out that there were definite signs of an easing in the general trade situation, and mentioned that for the third quarter of this year a slightly higher amount of dollars for imports would therefore be released than had previously been calculated, such increase to be expended on oils, metals, chemicals, machinery, and spare parts of importance for production According to the Minister for Economic Co-ordination, Per Edvin Skold, even the housing position, which so far has shown little signs of improvement, is on the road to recovery, and some expansion of house building will be possible next year. It can only be hoped that this promise will be implemented, since the housing shortage in Swedish towns is quite as bad, if not worse, than in Great Britain. Last, but by no means least, the new Minister of Finance, David Hall, has been moderately optimistic about the chances of some tax relief in the 1949–50 Budget. Thus, while the Prime Minister's assertion of a complete return to the pre-war living standard is rather optimistic, it can safely be said that, in spite of the restrictions referred to, Sweden has more or less returned to normal and that there are few countries in Europe more pleasant to live in than this Scandinavian kingdom today.

It must not be thought, however, that the Swedish nation is entirely free from worry and looks upon the world outside with

[1] Per Albin Hansson, the universally popular Social Democrat Prime Minister who had been in office all through the war, died in 1947.

the same happy indifference as it did before the last war. While the first World War eventually came to be widely regarded as a rather terrible but isolated event, the threat of a second World War was watched with dread. Its development, and the part which Scandinavia was forced to play in it, has rudely shaken the Swedish nation out of its sense of security. Not that this means that Sweden is likely to change her attitude to international politics or to reconsider her neutral policy towards the rest of the world in the immediate future. That policy is too deeply rooted, based as it is on a century and a half of uninterrupted peace, so that with very few exceptions it has become ingrained in every individual Swede.

In the spring of this year the Scandinavian countries became the centre of all eyes. They had to consider, individually and collectively, whether to join the soon-to-be-established North Atlantic Pact or not. It is not proposed here to tell the story of the negotiations which preceded the ultimate decisions taken by the three countries. Suffice it to say that Norway and Denmark joined the Pact, while Sweden decided to remain outside. Since then there has been a great deal of speculation about the ultimate outcome of this regrettable split in Scandinavian unity, especially its effect on Sweden. Would she rue and reverse her decision? Will she at least endeavour to create a defensive collaboration with her Norwegian neighbour, a suggestion much favoured by the Norwegians?

In the present writer's view, it would be wrong to assume that the Swedish Government is at all likely to reconsider its refusal; that it will within the reasonably near future be prepared to join the North Atlantic Pact merely because its two sister nations have become members despite its attempts to prevent them doing so The Swedish decision was thoroughly considered, it is no passing phase in Swedish policy, and the Government by this decision has given expression to the view of the majority of the Swedish people. Furthermore, Sweden's refusal to join the Pact is a logical consequence of the policy the country has been pursuing for more than a century, and this policy, in Swedish opinion, has not only proved itself in two wars but appears to justify itself again when developments in the relations of the great Powers since the end of the war are taken into consideration. As a whole it can be said that the average Swede has an innate distrust of *any* great Power. He feels that some conflict of their interests was at the bottom of all the great wars in history, and certainly caused the two World Wars. Thus he is content to leave the decision on the country's foreign policy to his Government and to abide by it, regarding it as far too complicated and dangerous a subject for

him to meddle with. It might be said, however, that the last war has slightly shaken this conviction, and that the Swedish John Citizen of today takes just a shade more interest in world affairs than he did before the war.

Bearing these facts in mind, it is at least comprehensible that the Swedish people should have been prepared, on the one hand, to enter an organization which has as its professed aim the establishment and preservation of world peace by uniting the nations, while on the other hand they were chary of joining a pact which constitutes a *bloc* of only some of these nations. Swedes recall, moreover, that this *bloc* is regarded, at least by a part of the world, and certainly by the Soviet Union, as an instrument of defence against the dreaded attack of one of these 'United' nations, and thus as a denial of the very basis of the United Nations Charter. The Atlantic Pact, they argue, presupposes another war, its very existence is a provocation and may evoke a warlike reaction from the Power against which it is obviously directed At the time of her entry into the United Nations Sweden clearly stated her intentions. in case of a split between the great Power members she would not take sides, would not join a *bloc*, but would revert to her policy of neutrality. The United Nations can hardly be described as 'united' today; they are still sitting round the same table, but fundamental differences of opinion are constantly shown to exist; there is a clear split between East and West Sweden is consequently keeping her promise and reverting to her policy of strict political neutrality. Spiritually there can be no doubt that Sweden feels herself to belong to the West, and the sympathy of practically every Swede (excepting, of course, the Communists) is entirely with the West. One has only to read the Swedish press or listen to conversations of Swedes among themselves to be utterly convinced of this fact.

In the course of many conversations with Swedish people this summer the writer was repeatedly told that the main reason for Sweden's refusal to join the North Atlantic Pact was the fear lest her taking sides might lead to Russian reprisals on Finland, with consequent repercussions on Sweden's own security. It was assumed that Russia 'held her hand' *vis-à-vis* Finland only as long as Sweden took no overt action obviously directed against her great Eastern neighbour. This consideration must obviously greatly influence Sweden's foreign policy, and any deterioration in Finland's independent status would profoundly affect Swedish public opinion and cause great anxiety to the Government. But it is unlikely that such an event alone would actually bring about an immediate reversal of Sweden's policy of neutrality and a consequent Swedish application for membership of the North

Atlantic Pact. Her refusal to do so is not based only on the consideration of how such a step would affect Finland, but is due also to the honest conviction that Sweden herself has nothing to gain and everything to lose by abandoning her present neutral position unless she is attacked.

The events of the past war have not convinced the Government that promises of military aid and protection by the great Powers can be substantiated sufficiently quickly when war breaks out to be of effective help against a potential aggressor. Allied intervention in Norway and the fate of Poland have gone far to strengthen this feeling. On the other hand, the Swedes argue, their neutral status may delay an aggressor sufficiently long for Sweden to meet and oppose an attack until international help arrives; and to such help she regards herself entitled under the United Nations Charter, whether she has compromised her neutral status by joining the North Atlantic Pact or not. In fact, the Swedish Government feels that by joining the Pact Sweden would give such an aggressor a valid excuse to treat her as a potential enemy. This reasoning would not be altered by the loss of Finland's independence. To outsiders it may appear to be based on a fallacy, but Swedish politicians are convinced of its logic.

Meanwhile Swedish foreign policy aims more than ever before at neither doing nor saying anything which might be construed by the Russians as positive proof of Sweden's intention to join the Western Powers in case of another war Hence such equivocal utterances as that of the Prime Minister on 9 February 1949: 'Sweden will build a defence which will delay an aggressor long enough for Swedish territory to become a base for the other side!' The Swedes hope that East and West will interpret this statement as an implied threat to *any* would-be aggressor—perhaps a rather dangerous subtlety, since it may succeed in misleading both, but one nevertheless in keeping with Sweden's policy of political neutrality and spiritual sympathy with the West.

'Sweden will build a defence . . .' She is certainly doing so. The present estimated annual expenditure on armaments amounts to 800 million kronor, and the Swedish General Staff, thoroughly aware of the enhanced danger that threatens the country, is taking every step to strengthen the defences against a potential aggressor, while Government speakers warn all comers that Sweden will defend her independence against any attack. It may be argued that she did not succeed in doing so in the last war; that during the greater part of it her neutrality was of very doubtful nature, and especially during the first years operated in effect in favour of the Germans. Yet if Sweden's geographical position is borne in mind —situated as she was between German-occupied Norway and

Denmark in the west and south and with the Soviet Union on her eastern flank—this attitude was perhaps not so very surprising Moreover, a study of the Swedish White Books shows that Sweden had little encouragement and no concrete assistance from the Allies in actively resisting German pressure in the impossible position in which she found herself; yet she nevertheless succeeded in passively resisting a far larger number of German demands than is known in this country. This she succeeded in doing without entering the war, and, incidentally, it may be argued, to the advantage of the Allies as well, since she formed a listening post for all the belligerents which proved more useful to the Western Allies than to Germany.

The fact that Norway has joined the North Atlantic Pact has from the point of view of Sweden's military experts, greatly increased the danger to Scandinavia; hence the attempts, before the Norwegian decision, to persuade Norway and Denmark to join a Scandinavian military alliance instead. Such an alliance would have broadened the basis of Sweden's neutrality by exchanging it for a Scandinavian neutrality, and would thus, in the Swedish view, have reduced the danger of a Russian attack on either of the two countries The fact that Norway did not accept this offer but decided to throw in her lot with the Western Powers is at the moment causing a certain amount of bitterness, especially among Right-wing Swedes.

Sweden's isolationist policy is not supported by all the Swedish people. A very articulate minority—largely among the Liberals—favours an active pro-Western policy, regardless of its effect on the Soviet Union. Among the strongest exponents of this view are several of the Liberal newspapers, *Dagens Nyheter*, for instance, and England's old war-time friend *Goteborgs Handelstidningen* It seems clear, however, that these views are in advance of public opinion, and that Professor Tingsten, chief Editor of *Dagens Nyheter*, and probably the staunchest supporter of adherence to the North Atlantic Pact, is too optimistic when he states that if party leaders were to give up their isolationist policy those advocating adherence would rapidly change from being a strong minority into an overwhelming majority. The very fact that party leaders continue to profess isolationist views seems proof that the supporters of a more activist policy have still a very long way to go. Far more important appears the fact that several of the most senior members of the defence forces, among them the Commander-in-Chief of all the forces, the Commander-in-Chief of the Air Force, and the Chief of the Defence Staff, have publicly warned the country of the seriousness of her position, the latter two demanding a certain amount of co-operation with the Western

Powers. These warnings can hardly be entirely disregarded by the inner council of the Government, and M. Erlander's recent statement in North Sweden may possibly be regarded as a reply:

> In the present situation no special problems are raised by Sweden's non-alliance policy; but if the world situation were to become critical our chances of continuing our traditional policy may depend on the realization everywhere of the sincerity of our wish to keep Sweden outside foreign conflicts. . . . Unanimity on foreign policy among all democratic parties has been a great asset to the country, and it would be regrettable if this asset should be wasted by the confused debate that has arisen about the possibilities of Scandinavian military co-operation after Norway's refusal of the Swedish offer of an unconditional, immediately binding, defence alliance. It was made clear that the Swedish Government intended to continue the non-alliance line if the attempts to set up a common northern defence system should not succeed There has been no change in the attitude of the Government in this respect.

When condemning Sweden's reluctance to abandon her neutrality it might be useful to remember the case of Switzerland, in spite of the differences of geographical setting The writer has repeatedly been asked in Sweden why people who without demur concede to Switzerland the right to remain entirely neutral should condemn Sweden for adopting the same policy, or rather a less strictly neutral one. In June 1945 the Swiss Bundesrat clarified its attitude in the foreign political field with the statement that: 'Without any compromise Switzerland will continue to adhere to her neutrality; in no circumstances will she deviate from this principle or submit to a demand to concede transit rights to troops of a future world organization.' Switzerland has consequently not joined the United Nations, Sweden has done so and participates willingly in the work of that body, although she may be more ready to support its humanitarian and cultural activities than its political measures.

In conclusion, it may be relevant to mention a recent statement of Hr. Hange, the Norwegian Minister for Defence. Speaking in mid-September at a meeting of Oslo University students on the defence of Scandinavia and Norway's adherence to the Atlantic Pact, he said that Sweden's continued neutrality had perhaps contributed towards modifying Russia's reaction and made the creation of the Pact easier—'so perhaps it was as well that matters turned out as they did'.

A. H. H.

BRAZIL: AN ECONOMIC SURVEY

THE development of the vast areas and resources of Brazil was stimulated by the demand created by the second World War. Today that expansion is being handicapped by the world economic situation, and in particular by the dollar shortage, but the long-term position is sound, if one takes into consideration the potential wealth of the country. There is, indeed, at present a tendency towards a degree of inflation, which has come about in spite of the Government's deflationary policy, rigidly maintained during the first ten months of 1948, when the Treasury accounts at the end of the third quarter showed an excess of revenue over expenditure equivalent to £15,600,000 Though production, home consumption, and exports were well above 1947 level and shortages in the home market had ceased, while the adverse balance of foreign payments was being gradually eliminated, prices continued to rise. This was in part owing to the increased cost of imports, particularly those from the United States, which represent over 50 per cent of Brazil's total purchases abroad, and to stock manipulations on the home market By October wholesale prices were 21 per cent above the 1947 average, though controlled retail prices lagged behind, and the cost of living remained practically unaltered.

THE FINANCIAL POSITION

But at the end of 1948 the situation became less favourable Earlier in the year General Dutra had submitted to Congress a project for revising the pay of the armed forces and public employees, a numerous class in Brazil. The proposal represented an increase in payments to federal personnel of 1,390 million cruzeiros, or £18 million, annually In November the project was approved by Congress, with amendments which swelled the total sum to 1,800 million cruzeiros, and made the increases retroactive, as from 1 August. At the same time the emoluments of magistrates and the subsidies of Senators and Deputies were raised. These somewhat wholesale readjustments were inevitably followed by demands for increased pay in the public services of the states and municipalities, and in industry and commerce throughout the country. The abrupt and widespread expansion of purchasing power, without any corresponding increase in the supply of consumer goods, gave a new upward impulse to prices and cost of living. By February 1949 the former had risen 7, the latter 9 per cent as compared with the previous October, and in May a further increase of 1 per cent was registered in the cost of living,

although wholesale prices, reflecting the downward trend in the United States, had dropped 5·7 per cent.

The financial situation was also aggravated at the end of the year by lavish grants to states and municipalities. Although the Treasury held sufficient funds to cover the additional expenditure, and was able to close the financial year with a small surplus, the sudden call for cash obliged the Bank to resort to its Re-discount Department. The volume of paper money was increased in November and December by new issues amounting to 1,350 million cruzeiros (£17,550,000), corresponding to 6 2 per cent of the currency in circulation. By the end of March 470 million cruzeiros, or 35 per cent of the new issues, had been called in, thus reducing the inflationary effect to some extent and provoking a 2 per cent drop in prices. At the end of May 21,280 million cruzeiros remained in circulation, i.e., 4·3 per cent more than at 31 December 1947

The present year is likely to prove difficult in many respects The 1949 Budget, as revised by Congress, estimated revenue at 18,228 million cruzeiros (£237 million), or 26 per cent more than in 1948, a somewhat optimistic forecast without additional taxation. Expenditure was calculated at 19,360 million cruzeiros (£252 million), an increase of 32 per cent over the preceding year. Contrary to custom, the President of the Republic refrained from promulgating the new Budget Law—perhaps to mark his disapproval—and left that duty to the President of the Senate.

It is highly improbable that General Dutra will allow a deficit of £15 million on the year's working. Instructions were issued at the beginning of 1949 to limit recruiting, suspend non-urgent work, keep expenditure on essential projects within two-thirds of the allotted credits, and defer all new work until after 30 June. As a result of strict economy the first quarter, always a difficult period of the year, ended with an excess of revenue over expenditure equivalent to £5 million. As compared with the corresponding period of 1948, revenue had increased by £9,400,000 and expenditure by £13 million, approximately 50 per cent of the latter figure representing additional payments to civil and military employees.

Early in June, as the result of sharp criticisms in both Chambers, the Minister of Finance, Snr. Corrêa e Castro, resigned, and was replaced in an acting capacity by the President of the Bank of Brazil, Dr Guilherme da Silveira. The new Minister's slogan is: 'Collect much and spend little.' The ambitious schemes for 1949 will, in fact, have to be considerably whittled down to avoid a deficit at 31 December.

The exchange situation is adding to Brazil's difficulties this year. World conditions forced her to sell a great part of her produce to

Europe on extended credit terms, while cash had to be paid to the United States for the immense quantities of materials required to replace equipment which had become worn-out or obsolete during the war. The balance of payments, which was in Brazil's favour from 1940 to 1946, swung against her in 1947, leaving a deficit of $311 million at the end of the year. Strict control of imports turned it again in her favour after June 1948, enabling her to satisfy contractual obligations abroad, but not to liquidate punctually all commercial debts After December, however, imports increased abruptly, while exports fell off. Not only had production slowed down in the United States, reducing the demand for raw materials, but prices had dropped, and purchasers were holding off in anticipation of a further fall, convinced, in spite of official denials, that the cruzeiro was about to be depreciated. Exports to the United States decreased by $15 million monthly, seriously aggravating the exchange position, and causing an accumulation of over-due commercial accounts, estimated in April at $135 million—an amount very much lower than Brazil's frozen commercial assets in soft currencies. The settlement of these debts has been delayed by the priority given this year to the liquidation of official obligations. The redemption of the American 'tranche' of the Coffee Realization Loan (U.S. $10 million), and payment of the final instalments, totalling $60 million, of the loan obtained from the Federal Reserve Bank in 1947, have depleted Brazil's reserves in 1949. In April the situation was eased somewhat by the purchase, against cruzeiros, of $15 million from the International Monetary Fund, and a substantial payment was made in the following month to liquidate some of the outstanding debts to American exporters. But unless Brazil is able to increase her exports to the United States, which seems unlikely in view of the conditions there, her imports from that country will have to be curtailed. In common with other nations, she is being forced to realize that she cannot hope to maintain exports at the 1948 level, which was 332 per cent above that of 1939.

Both the financial and exchange positions are thus likely to affect projects for development during 1949. The S.A.L.T.E., or Five-Year Plan[1], which was to have been inaugurated this year, involving an annual expenditure of £48,600,000, is almost certain to be deferred for another twelve months. This ambitious project aimed at raising the national standard of health, increasing agricultural production, improving communications, and developing natural resources of energy and fuel. It was designed to co-

[1] See "Brazil's Expanding Economy", in *The World Today*, November 1948 The initials stand for Saude, Alimentacio, Transporte, Energia (Health, Food, Transport, Electricity).

ordinate and amplify measures already in force, and guarantee adequate funds to carry them out during five years, obviating the risk of interruption under a change of administration.

Even if the S.A.L.T.E. Plan is postponed, much of the proposed work must proceed, expenditure being confined within the narrower limits of existing special funds, and of Budgetary allotments imposed by the 1946 Constitution. The latter ensures continuity for the many services created in recent years to combat infantile mortality, tuberculosis, and endemic disease, the scourge of rural districts, and to extend medical, hospital, and educational facilities to all parts of the interior. The improvements to road and railway communications, which have been effecting a revolution in Brazil's transport system during the past two years, are financed by special funds, and will not be suspended, although they may have to be slowed down if exchange continues to restrict imports. Finally, the plans for opening up backward regions, rich in unexploited vegetable and mineral resources, derive directly from the Constitution and may not be interrupted. Until 1966 Federal, State, and Municipal Governments must set aside fixed percentages of their revenues from taxation each year for the economic development of those areas

POSSIBILITIES OF DEVELOPMENT

The possibilities of development are almost unlimited in this vast country of violent contrasts, where 45 million inhabitants are unevenly distributed over 3,300,000 square miles. The temperate south, covering less than one-tenth of national territory, contains more than one-third of the entire population, and produces 56 per cent of the country's wealth Prosperous industrial towns and agricultural settlements are connected by road and rail. The inhabitants average forty to the square mile, and civilized amenities are within reach of all. Contrasting violently with this favoured region, the tropical north, embracing one-half of the national territory, contains only 3 per cent of the population, and contributes less than 1 per cent to the nation's wealth. Roads and railways are practically non-existent. Transport depends almost exclusively on the great rivers, some of which are obstructed in many places by impassable falls, while others overflow their banks in the rainy season, flooding the country and destroying homesteads for miles on either side. Municipalities average, in size, 15,000 square miles, and in population 17,000. Several of these divisions are without a resident doctor, and many have only one practitioner to every seven thousand inhabitants.

The schemes for economic development in the north and north-east provide for clearing rivers and regulating the flow of

water; for irrigating semi-arid lands and building roads and railways; assuring adequate medical, hospital, and educational facilities; harnessing falls to supply electricity at low rates; and organizing the industrialization of raw materials within each producing centre, in order to reduce costs, facilitate transport, and provide remunerative employment for the inhabitants. Lack of opportunities is depleting many districts, converting a laborious population into a race of nomads, ignorant and undernourished.

Until 1914 Brazil was content to remain a purely agricultural country, exchanging raw materials for manufactured goods. This semi-colonial existence meant comparative wealth for a few, and extreme poverty for many. The insignificant purchasing power of the masses kept home consumption negligible. The production of essential foodstuffs was neglected, interest centering on the foreign market and on two or three products of ready acceptance abroad When good crops coincided with a big foreign demand, trade boomed, when they did not, business slumped, and planters clamoured for government aid Two world wars proved the possibilities of industrial expansion, and the second one, in particular, gave an immense impulse to development. Brazil ceased to be a purely agricultural country, and became a nation of mixed economy.

INDUSTRIAL RESOURCES

Industrial production increased by over 300 per cent during the last war. It is now valued at more than £1,100 million yearly, and represents 60 per cent of the nation's economic power. The output of pig iron and steel rose from 160,000 and 114,000 tons respectively in 1939 to 532,000 and 481,000 tons in 1948. The heavy iron and steel industry, inaugurated at Volta Redonda in 1946, operated at 70 per cent of capacity last year, paid its first dividend, and now plans to double production and extend its range to include special steels. Privately owned works in Minas Geraes and San Paulo have increased capacity by 100 per cent, and new furnaces have been built in Mato Grosso, hitherto known as 'No Man's Land', and in Espirito Santo. Abundant water power and coal, extensive forests, and plentiful supplies of essential raw materials favour rapid development. National reserves of iron ore are practically inexhaustible, and new deposits of high grade manganese are constantly being discovered. The Itabira mines extracted 428,000 tons of iron ore in 1948, an increase of 128 per cent in one year, and exported 385,000 tons. When the projected improvements to the mines and railway are completed, probably in 1951, export capacity will be raised to 1,500,000 tons annually, and production costs will be halved.

National coal mines in South Brazil are yielding 2 million tons of fuel annually, with reserves calculated at 400 million tons. New seams were opened up in San Paulo during the war, and hitherto unexploited fields are now being prospected in the north, in Piaui and Maranham. Lack of transport, and primitive methods of mining and processing, increase costs and detract from the quality of the fuel. Investigations were completed last year, under the direction of the United States Department of Mines, with a view to increasing and improving the yield, and a round-table conference of mine owners met in June, under Government auspices, to discuss reorganization of the trade.

The development of Brazil's oil industry is still held up by the fight between the Nationalists and the advocates of free enterprise, and Brazil continues to import petroleum products at a cost of $100 million annually. The new Statute, which would permit limited foreign participation in order to accelerate progress, was submitted to Congress in February 1948 but has not yet come up for full debate In the meantime seventy-eight wells, with a potential yield of 11,600 barrels daily, and reserves estimated at 17 8 million barrels, are being exploited by the Federal Government in Bahia. At the end of 1948 the Petroleum Council began building a refinery to process national oil Three skimming plants are distilling imported crude oil in San Paulo and Rio Grande do Sul, processing 8,000 tons of petroleum yearly, or 3·5 per cent of the country's needs. Prospecting continues in Alagoas, Sergipe, and Bahia, and investigations are proceeding in South Brazil, in Paraná, in the north, in Amazonas, Maranham, Piaui, and Marajó Island, and in the West-Centre, in Goiás. Preliminary arrangements were made in October 1948 to install refineries in Para, Rio de Janeiro, and San Paulo to process 75,000 barrels of imported crude oil daily. One of these will be owned and operated by the Federal Government, the others will be exploited by private companies, organized in Brazil.

The national chemical industry, which received a big impulse during the war, now produces for exportation as well as for home consumption, and ranks fourth in the list of Brazil's industrial activities. A National Alkali Company was organized last year to supply local manufacturers with sodium carbonate and caustic soda, previously imported at an annual cost of £1,200,000.

Fifty-one factories, representing a capital investment of £5 million and employing 10,000 workmen, consumed 21,000 tons of Amazon rubber in 1948, as against 4,000 in 1939, and manufactured goods to the value of £10 million. Approximately 1 million tyres and 750,000 inner tubes were produced at prices which testify to the growing efficiency of this infant industry. As

the cost of forest rubber precludes competition with the cultivated product, the Ford plantations at Belterra, now owned and administered by the Federal Government, are being reorganized and amplified. Six thousand workmen are employed there, comfortably housed with their families, and enjoying free medical, hospital, and educational facilities. Endemic disease, the plague of the forests, has been practically eliminated, and the standard of health has been further raised by an abundant supply of foodstuffs, grown on the plantations.

Progress was accelerated in many industries during the war. Electrical apparatus, fixtures, and cables of excellent quality are being manufactured in large quantities, and a heavy electrical industry is about to be founded with technical and financial assistance from the United States. Fifty-one mills are producing 85 per cent of Brazil's requirements of paper. Four factories are building light aeroplanes, another is making aviation motors, and although these have been in financial difficulties lately they are not likely to be allowed to close down. Cement works, inaugurated in 1928, produced 1,300,000 tons in 1948, and new plant is being added to meet the growing local demand. Several factories are building railway wagons, commercial vehicles, farm tractors, and agricultural implements National yards are turning out medium-sized ships, and a scheme, in which British interests have been invited to participate, is on foot to equip yards to build larger vessels. The value of foodstuffs processed annually amounts to £80 million. The textile industry employs over 8 million spindles, and produces goods valued at £49,600,000 yearly. Native fibres are being increasingly exploited, and the local sacking, cordage, and rope factories will shortly make Brazil independent of supplies from abroad. One hundred factories are processing Caroá fibre in the state of Pernambuco, 60 per cent of the output being absorbed by national industries, while the balance is exported to neighbouring countries

Professor Robert K. Hill, of Columbia University, who knows this country well, told the United States press on his return from South America last autumn, that Brazil's industrial evolution was the most amazing economic and social phenomenon in the contemporary history of Latin America. More recently Mr John Abbink, head of the United States Technical Mission, estimated that Brazil might attain full industrial development in twenty-five years by proceeding along certain clearly defined lines.

THE NEED FOR CAPITAL INVESTMENT

The report of the Abbink Mission lays particular stress on the need to increase agricultural production, intensify exploitation of

national resources of electrical energy and fuel, improve communications, and modernize methods on farms and in factories. It points out that immense quantities of new equipment and considerable financial and technical assistance will be required from abroad if progress is to be hastened, and recommends revision of certain laws affecting foreign capital in order to attract foreign investors. As the principal object of the Abbink Mission was to study conditions and advise American capitalists regarding prospects of investments in Brazil, its recommendations have considerable weight in both countries. General Dutra's visit to the United States was opportunely timed to coincide with the return of the Abbink Mission. It enabled the two Presidents to discuss the report and issue a joint declaration which was received with relief in Brazil. It dispelled the fear that imports would have to be drastically curtailed, retarding progress. The technical advisers of the two Governments proceeded immediately to arrange the details for carrying out certain recommendations which had been accepted in principle Among these are an agreement to avoid double taxation on foreign capital employed in Brazil, to ensure reasonable terms in the event of expropriation, and to guarantee the transfer abroad of profits, interests, and dividends on foreign capital, irrespective of the exchange situation.

Reports from the United States indicate that funds will be advanced to finance imports of machinery and equipment for public utility services, agriculture, and certain specific industries. Technical assistance will certainly be forthcoming to aid in the search for minerals, and to rationalize methods in mining and agriculture. American capitalists are eager to invest large sums in iron, manganese ore, and petroleum; but Brazilians, while anxious to attract foreign capital, are not disposed to give it the same freedom as in the past, a freedom which they liken to that of the fox in the chicken-run. A large proportion of raw materials will have to remain in the country, to be converted into finished and semi-finished goods for home consumption and export.

The Abbink report suggested that the Government would be well advised to confine its economic activities to the development of communications and other public utilities, leaving industry to private enterprise. In this the Mission has the whole-hearted support of a great many Brazilians. The State's participation in industrial undertakings has led in almost every case to political interference, with consequent over-staffing, high costs of production, and repeated calls on the Treasury for assistance.

The Abbink Mission also emphasized the need to increase supplies of labour, particularly of specialized workers. The shortage of ordinary labour, which arose during the war, is more

apparent than real, since the rate of growth of the population exceeds the rate at which men have been absorbed into industry. The processes of readjustment operate slowly. They are being gradually reinforced by the influx of immigrants from abroad, usually in family groups, and by the introduction of modern methods in agriculture, mining, and factories, which will triplicate productive capacity per head within the next few years.

The shortage of specialized labour is a more difficult problem to solve. The abrupt expansion of industry during the first World War called attention to the lack of technical training centres in Brazil, but nothing was done to meet the need until the second conflagration broke out. The Confederation of Industries then created a National Apprenticeship Service, and began opening technical schools in all industrial centres, in order to give the children of employees free training in every branch of industry Funds are provided to enable those showing special ability to pass into the Universities and follow the higher courses in mechanics, engineering, and chemistry.

It will be apparent from the foregoing survey that, in spite of immediate difficulties, the possibilities of Brazilian production are very great, and that the resources of the country as they are developed by modern techniques are likely to play an increasing part in the economic life of the world.

R. G. W

ERRATUM

In the September issue, p. 385, line 18, '*coup d'état* on 2 November" should read "... on 9 November".

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NOTES OF THE MONTH

Russia and the Atomic Bomb

THE announcement by the American, British, and Canadian Governments that there had lately been an atom bomb explosion in the U.S.S.R.—whether an intentional one or not—creates a new position in this critical and much debated problem. The means for releasing atomic energy, for any purpose, depended for its discovery on a great mass of pioneer scientific work which had been carried out over a range of years in many lands, and freely published, as was the easy custom of those days. Its direction in war-time to specifically military ends was natural, and for strategic reasons was carried out mainly on the other side of the Atlantic. Once that military endeavour had attained its objective, the decision to use it taken, and the war brought to an end, the U.S. Government—in its Smyth Report—published a remarkably full account of the successive steps taken, along their several lines of approach, by the many scientific groups concerned. The freedom with which this novel information was thus imparted to the world in general has been attributed by some to the pressure exerted by the atomic scientists themselves, who, like their fellows, had grown up in an atmosphere of free publication of the results of research work, and by some to the fact that any secrecy that attached to the atom bomb was really based on the difficulty of the engineering problems that still remained, even when all the scientific ones had been understood.

It now appears that certain of the U.S.S R workers have solved the basic engineering problem, along whatever line was chosen by them as giving the simplest route, a choice in which the Smyth Report no doubt may have helped, for example, by the selection of plutonium as the fissile material rather than the light uranium isotope which it is so much harder to prepare Any rivalry between East and West in this field must henceforward relate to the quantity and quality of the product. As regards quality the U.S. have had four years to make improvements since the first explosion of

an atom bomb in New Mexico, and we know from the official statements since released that substantial developments have been made in the explosive power and general effectiveness of later models. Hence if the U.S Government wishes to keep itself in the lead—and it has already a good start—it has unrivalled inventive ability and immense industrial drive to enable it to do so. As to the sheer effect of size of stock-pile, too much—as Professor Blackett has pointed out—was originally made of the potency in world affairs of the possession of even a few bombs (great as might be their effect on morale). For a campaign many hundreds would be needed, and these would take long to make and to replace.

If the present disastrous armaments race has to continue, it may well prove a wise precaution in the organization of a close defence combination of the Western States to confine the construction of atom bomb 'stock-piles' to the U S.A and Canada, as being strategically far safer than in Europe, where scattered stores might suddenly be overrun Secrecy of development would also be far more easily preserved. Nevertheless there might well be little objection, and some advantage, in having 'advance dumps' located on this side of the Atlantic· with and by the consent of the U S Senate of course. An undoubted reserve of strength behind the Atlantic Pact is afforded by the existence of the large store of atom bombs in the possession of the U S. Government. It is likely that when Mr Churchill stressed the value of this factor he was thinking not only of the long start which the U.S. had over all other countries in the knowledge of how to construct atom bombs, but that he had in mind also the lead in quality which the U.S. must possess over any possible newcomers in that field, which it could retain as long as it had the will and energy to do so. Nothing that has since happened can deprive the Atlantic Pact of that immense potential backing.

Meanwhile, the use of atomic fuel for purely civil purposes remains a most important world objective, but its attainment is greatly hindered by its possible conversion into an explosive filling suitable for atom bomb construction. So far no secure means has been found for making such action impossible, and it is greatly to be hoped that some scientist will one day succeed in this vitally important quest. In the meantime many favour the idea of an international banning of the use of the atom bomb, just as the use of 'poison gas' was successfully banned in the last war (though supplies were available for retaliatory action if necessary). This might help. But what would help most would be the creation of an Atomic Development Authority, under the United Nations, to own, or at least to manage, 'dangerous' source materials and plants used for the preparation of atomic energy for any purpose.

Most countries were ready to accept such a solution, but not the U.S.S.R. group, at least not in the form put forward by the majority of the U.N. Atomic Energy Commission, though the technicians on the two sides hardly seemed so far apart as did their political spokesmen This is a matter now being further explored under the aegis of United Nations The hard fact is that, in the nature of the case, the decision must be unanimous to be effective. Failing such an arrangement, the future threat to civilization is devastating to contemplate, and it is vital that public opinion, in both ideological camps, should realize the immensity of the danger. Such a transformation of environment as is implied by the discovery of nuclear fission demands new political methods to meet it.

The French Government Crisis

The French Governmental difficulties which finally brought down M. Queuille's Government on 6 October, after its post-war record of thirteen months in office, are real and profound. The British announcement of devaluation was no doubt a contributory factor, mainly because it transformed into a sudden panic those fears and uneasinesses which had been in the minds of the public for some months Signs of an impending crisis were already visible in July, when M. Mayer, the Socialist Minister of Labour, proposed the award of a holiday bonus to Social Security employees, thus breaking away from the wages stabilization policy. Then, during the summer months, food prices, which, up to then had been falling, slowly but steadily began to rise again. And they have gone on rising, although still only slightly. It was clear, even without the bombshell of devaluation, that something would have to be done.

Unfortunately, the parties in the coalition were in flat disagreement as to what that something should be. The Radicals remain firmly convinced of the necessity of continuing M. Queuille's policy of wage stabilization. They are afraid that wage concessions, even if limited to certain categories, will nevertheless set in motion once again the race between wages and prices which has defeated the efforts of so many Governments in post-war France. The Socialists are very conscious of the approaching general election and of their need to recover working-class votes which they feel have been lost to the Communists They dare not risk the exploitation of wage claims by their rivals, the Communist Party and the Communist-dominated Trade Unions. The M.R.P., caught between Right and Left, is anxious to avoid bearing the brunt of any unpopularity that the application of the necessary financial measures will involve.

There are really two difficulties which, at present, seem insurmountable. The first is the problem of finding a workable majority for any coherent policy whatever. M. Queuille's Government put forward compromise proposals on the eve of its resignation. Like most compromises, they pleased neither side. His proposals to arrest price increases by tightening up the measures to deal with profiteers and speculators, and to reduce the prices of certain commodities, including butter, coal, electricity, and some textiles, were held by the Socialists to be too vague and uncertain in their effects. The Radicals were opposed to M. Queuille's acceptance of certain wage increases for the lower-paid workers, while the Socialists were not convinced that he was prepared to extend this increase to a sufficient number of workers.

So M. Queuille resigned. M. Moch, the Socialist Minister of the Interior, took on the unenviable task of trying to form a Government, and he, in turn, gave up the attempt after a week of negotiation. What finally defeated M Moch was the second of the apparently insurmountable difficulties, the inability, or the unwillingness, of French political parties to carry out, in practice, the provisions of Article 48 of the Constitution. This Article declares that 'Ministers are collectively responsible to the National Assembly for the general policy of the Cabinet'. Yet the M.R.P. refused to accept the portfolios of Finance and Economic Affairs without a specific undertaking from the other parties in the proposed coalition that they would share the responsibility for applying an agreed economic and financial programme. The M.R P. leaders are well aware, as are the leaders of the other parties, that, in the past, the principle of collective responsibility has not been loyally put into practice, and that, outside Parliament, party newspapers have tried to make party capital out of unpopular measures agreed by their Ministers in the Government The Communists, when they were in office, were far and away the worst offenders, but no party has an entirely clean record.

On 18 October the Radical former Finance Minister M. Mayer agreed to try his chances where M. Moch had failed. After twelve days the wheel had come almost full circle. M. Mayer, however, also failed to form a Government, and the next to try his hand was M. Bidault.

This prolonged crisis has brought back two dangers which the patient work of M. Queuille's Government during the last thirteen months had done much to lessen. The first is that a renewal of political manoeuvring, of disagreements among the parliamentary democratic parties, may encourage the extra-parliamentary forces of Gaullism and Communism, both of which have seemed up to now to be definitely losing ground. The second is that the Com-

munist-dominated Trade Unions may try once again to spread industrial unrest by exploiting the familiar wage and price themes. The violence of the Communist attacks on M. Moch is at the same time a tribute to the value of strong political leadership and a reminder of France's continued need of it.

The College of Europe at Bruges: a Preparatory Session

At the Congress of Europe last year it was decided to set up a College of Europe designed to give a wide European education to selected students, who would qualify to fill vacancies in the secretariat of future European institutions

To this end the European Movement, at the invitation of the municipality of Bruges, recently organized a three-weeks' Preparatory Session, in which the main features of the future College were anticipated, and which served as a successful experiment. The theme set for this session was 'The teaching of History and the formation of a European spirit in the Universities'. It was widely interpreted: and students of Literature and of Law participated as well as historians The Directing Staff represented different backgrounds There was a humanist from the University of Caen and a lawyer from the University of Ghent, and the Director was an Oxford historian.

The twenty-two students came from most of the countries of Western Europe, and the main methods employed were lectures and group discussions, the last a compromise between the Oxford and Cambridge tutorial and the Continental seminar. In any future eight-month course private study and individual research would, of course, play a large, if not the preponderant, part in the studies of the College. Each lecture was followed by a full discussion, and lectures, directing staff, and students mixed freely in the small but cosmopolitan atmosphere of the College.

The lectures varied in tone and colour. Each in its way was a first-class exposition. The sombre economic realities of post-war Europe as expounded by M Claude Bourdet, with his background of clandestine news-sheets and the Socialist Resistance of the war; the federalist's hopes for the future of the Strasbourg Assembly put forward by Dr Brugmans; the lawyer's emphasis on respect for the Rights of Man and on the need for a re-orientation of International Law—the themes of Professor de Visscher, a member of the International Court at the Hague—and the brilliant defence of the individual by Don Salvador de Madariaga, the President of the European Movement's International Cultural Section and the 'Father' of the College, were all a rich intellectual experience which emphasized the diversity of the problems facing Europe.

But it was probably in the study groups, or *équipes de travail*, that the most valuable work was done. The history group, for example, which included a lawyer and a geographer, studied in succession the influence of the new discoveries in Pre-History in counteracting nationalistic interpretations of history; compared the decline of Graeco-Roman civilization with our own situation; investigated the emergence and political theory of the Nation State; and compared the different conceptions of European history held by students from Western and Eastern countries. Finally, they made a more technical survey of the different curricula of the History faculties of the various European universities. These two subjects obviously provided fields in which the future College will be able to do very useful and more extended work. In the law group, the theme was the teaching of Law and the formation of a European spirit Besides the questions of international law which Professor de Visscher's lectures had raised, attention was given to the study of comparative law in the national universities.

Each group reported to the whole College through selected rapporteurs, and these plenary sessions gave rise to fruitful discussion. It was, indeed, in the groups that the students found the best means of expressing themselves Here language difficulties were most easily overcome in informal discussion. It would seem that in the small group, connected with and, if possible, supplemented by individual research, together with a certain number of formal lectures, the most promising future of the College lies.

The experiment is now over, and the students have returned to their own universities One thing is clear the future College must be based on a tradition of real scholarship, and linked, also, with the practical problems of contemporary Europe, possibly undertaking limited researches for some of the European authorities at Strasbourg, Paris, Geneva, and elsewhere. It could be a centre where scholars and future administrators will meet: where both will become active exponents of that awareness of European tradition without which European unity is unlikely to be achieved

AUSTRIA:
THE END OF LIBERATION?

WHEN, on 9 October, the men and women of Austria elected the second Parliament of their Second Republic, they went to the polls with the profound hope that one of the first major acts of the new Assembly will be the assumption of full sovereignty and freedom of action as the result of an Allied agreement to lift the occupation. It may seem an irrational attitude for Austrians of all parties to put the desire for a peace treaty—for 'the end of their liberation', as they cynically put it—first among their political aims and calculations when so many other urgent matters cry out for a settlement But even those Austrian politicians who do not make the quadripartite occupation the excuse for their administrative and legislative inactivity nevertheless argue that they cannot tackle the difficulties of political and economic consolidation until they are masters in their own house, until their decisions can no longer be overruled by a committee of four foreigners, and until they know how much of Austria's wealth will be left after Russian claims have been satisfied

If these are the feelings of the nation's leaders, the relief shown by the man in the street on 21 June at the news of the Paris agreement of the Foreign Ministers proved that even the Western Powers had overstayed their welcome in their fifty months' occupation. Remembering that British and American troops were greeted as liberators in Vienna and all other districts where they replaced the Red Army, and considering the steadying influence of their presence in a region where Communism was on the march, one may complain of ingratitude, but that was four years ago, and today there is no Communist danger in Austria. The Russian advance has been halted, and today Austrians argue that, on the contrary, it is the presence of antagonistic armies and their intelligence services that increases the tension and creates new dangers.

RELATIONS WITH THE U S.S.R.

According to their reading of the situation, Russia, by agreeing to evacuate Austria—at a price—admits that Round One of the cold war, the period of expansion, infiltration, and revolutionary agitation, is over. In the next phase she will be content to consolidate her gains and concentrate on the complete *Gleichschaltung* of her satellites. To a nation whose military thinking is based on defence in depth, the idea of creating a buffer State between itself and the Western Powers must appear attractive; hence the

Russians' willingness to negotiate a treaty which will turn Austria into a neutral State of this kind. Hence also their support for the Nauheim circle's propaganda in favour of a demilitarized neutral Germany between the two power blocs. To put 500 miles of no-man's-land between their westernmost satellites and the Western armies, and to remove Soviet troops from all contact with the agents of the American Secret Service and the example of a working democracy, is worth the surrender of Eastern Austria, viewed from the angle of the ideological safety of the Soviet Union. But can Russia be trusted not to attempt the forcible conversion of Austria into a 'People's Republic', once the Western Powers have gone? To do this, one of two things would be necessary: open military intervention, which the Russians know means war; or a strong Communist Party in control of the police and the civil service and entrenched in the trade unions.

Communism had its only chance in Austria between April and September 1945, when the Russians were the sole occupying Power in Eastern Austria; and it missed this chance, partly on account of the behaviour of the Red Army, and partly as the result of the courageous stand of the Social Democrat leaders, who resisted all pressure to take their followers into a united front or a unitary party with the Communists When only four Communists were returned in the general election of November 1945, against 161 Conservatives and Socialists, it was already clear that Austria would not go Communist of its own volition. The only remaining dangers that could happen were a wave of political terrorism, faked conspiracies, or a *coup d'état*. All these things the presence of the Western armies made impossible. The alternative of mass desertion of Socialist workmen to the Communists as a result of economic hardships was prevented by Socialist leadership.

Any one who attended the final meeting before the dissolution of the first parliament of post-war Austria on 15 July, when the work of the past four years was reviewed, could not but feel admiration for the resilience and determination shown by the country's leaders in the face of terrific difficulties. The building of a new State out of the ruins of Greater Germany, the replacing of Nazi legislation by democratic institutions, the feeding of the hungry cities, the restarting of industries with insufficient fuel and raw materials, and the pressing tasks of restoring public services were all faced with remarkable ability. These things could have been accomplished only by a coalition Government, which initially comprised all three parties, until in the spring of 1947 the solitary Communist Cabinet Minister was withdrawn by his party, thus leaving a clear field to the People's Party, which has a small majority in Parliament, and to the Socialists.

THE ECONOMIC POSITION

If it was the Western Powers that protected the rebirth of political democracy in Austria, it was no less due to them that the country was able to proceed with the task of economic reconstruction. It must have been clear to the authors of the Moscow Declaration of November 1943, on the establishment of a 'free and independent' Austria, that the Second Republic could no more be an economically viable State than was the First, and that Austria's survival would be an Allied responsibility. Inevitably, the proposed solutions differed. to the Russians, an economically viable State meant an Austria in close co-operation with, and dependence on, her Communist neighbours and upon Russia herself. To the Western Powers, economic reconstruction meant, successively, U.N.R.R.A., American and British gifts and credits, and finally Marshall Aid—in other words, helping Austria to help herself. This policy prevailed, and so Austria survived the lean years, until today she approaches an appearance of economic normality: well-stocked shops, full employment, and sufficient food—all this largely, though not wholly, the result of American bounty.

In the first year of the European Recovery Programme Austria received goods to the value of $280 million, of which the most important were food ($125 million), coal ($42 million), raw materials ($67 million), machinery ($12 million), and fertilizers and feeding stuffs ($15 million) That almost half of the total should have to be spent on food illustrates Austria's permanent inability to feed herself, and indicates, also, a lack of co-operation on the part of farmers, who prefer to dispose of a proportion of their produce in the more lucrative 'grey' market. Their contribution to the amount of food consumed in 1948 was 37 per cent, but it is hoped to increase home production in the current year sufficiently to allow of a 10 per cent cut in food imports under E.R.P. in favour of increased imports of raw materials and machines.

The proceeds from the sale of 'Marshall goods' were spent on projects of vital importance $80 million on general reconstruction, $40 million on hydro-electric development, $41 million on the modernization of industry, $46 million on housing, $14 million on the mechanization of agriculture, etc The effects are highly gratifying. The past year alone has shown an increase of 47 per cent in industrial production as compared with 1947. By the beginning of 1949, for the first time since the end of the war, it had reached the level of 1937; but whereas the output of capital goods stood at 140 per cent of 1937, that of consumer goods was still only about 70 per cent. Better nutrition, adequate supplies of

fuel and raw materials, and new machines were paying dividends on the industrial front. The output of steel had reached pre-war level, pig iron showed an increase of 50 per cent over pre-war, aluminium and ball bearings of 200, electric bulbs of nearly 100 per cent. While heavy vehicles and bicycles were still down by 25 per cent, motor buses had reached 100 per cent, and the 4,000 tractors produced in 1948 were thirty-eight times the number coming off the assembly line in 1938.

Since then further progress has been made, and in May 1949 total production exceeded the pre-war level by 26 per cent. The increase in capital goods stands now at 70 per cent, but consumer goods still lag behind, with less than 90 per cent of the 1937 figure. This is the price that is being paid for the heavy investment policy in the capital industries and for a determined export drive Though a late-comer in the seller's market, Austria increased the volume of her exports by 54 per cent last year, which brings her up to about 60 per cent of the 1937 level. Unemployment is now down to 3·65 per cent of the insured population—compared with 33 per cent in January 1937—but the real position is even better, for against the 71,000 registered unemployed (June 1949) must be set some 40,000 vacancies Despite this very real progress, the national income was estimated last December by the Central Statistical Office to be still only about 80 per cent of that of 1937, and the United Nations *Economic Survey of Europe in 1948* puts it even lower in its calculations of dollar income per head of population, reckoned to be 179 in 1938, 96 in 1947, and 130 in 1948—which, incidentally, is $52 less than the average for Europe without the Soviet Union. Small wonder that there is still a great need for the help rendered by foreign relief organizations, which have so far distributed over 52 million dollars' worth of food, clothes, and medicaments, including $4½ million during the first six months of 1949 alone.

It must be recognized, however, that if Austria's economic survival has been made possible only by Western aid, the degree of progress has been determined by her own exertions An industrious and highly skilled working class, schooled in the voluntary discipline of their great political and trade union organizations, resisted once again, as it did in 1918, the temptation of easy-sounding extremist solutions, and accepted its share of responsibility for the country's survival. From the first blocking of savings deposits in 1945 to the currency reform of 1947 and the Wage-Price Agreements of 1948 and 1949, it has made big sacrifices, even though each rise in the cost of living caused by progressive de-control was eventually met (after considerable delay) by wage increases and by various measures on the lines of the Beveridge

Plan, such as children's allowances and the first steps towards a national insurance scheme. The middle classes also suffered greatly, primarily through loss of savings, and subsequently under the high incidence of taxation. A profit of the equivalent of £2,500 a year, for example, derived from industry or a business, is subject to 87·7 per cent tax if the owner is single, or 69·2 per cent if married with two children; if the profit is £25,000, the corresponding percentages are 93·3 and 86·4.

To all these legitimate difficulties must be added the problem of occupation costs and the complications arising through the fact that a considerable sector of Austria's economy—that taken over by the Russians—is now outside her jurisdiction. It is not denied that the majority of the 278 industrial enterprises in Russian hands constitute genuine German property to which the Soviet Union is entitled by the Potsdam Agreement[1]; but she was not entitled to any of the privileges which she has tacitly assumed. In June, for instance, it was announced that incomplete investigations by the Ministry of Finance had revealed that forty-eight enterprises belonging to U.S.I.A., the Soviet administration of German assets in Austria, were in arrears, mostly over years, with their wage tax payments; that against twenty which had paid purchase tax one hundred had not; and only one had paid the corporation tax against ninety-six defaulters. The output of these enterprises, over which the Austrian State has no control, goes abroad or else feeds the black market, and the same applies to the produce from 316,000 acres of land which the Russians took over when they entered the country. Nearly £14 million in Austrian currency were paid in 1948 to the Allies as occupation costs, of which Russia received 46 per cent and Britain and France 27 per cent each, the Americans having refused their share. This sum is equivalent to 10 per cent of the Austrian Budget, and to meet it a special Occupation Tax had to be levied If one adds to this the expenditure on 1,246 officials in the Censorship Office in Vienna, an institution which is contrary to the Austrian Constitution but which has to be maintained, and paid, by Austria on Russian orders, the intolerable political pressure in U.S.I.A. enterprises; the intimidation of officials and interference with local government in the Russian Zone; and the behaviour of some of the occupation forces, it is not surprising that Austrians look forward to the day when, as President Renner once put it, 'the four elephants have got out of the rowing boat'.

THE PEACE TREATY

The early restoration of Austrian sovereignty and independence,

[1] For a discussion of the problem of German assets in Austria see 'Austria: East or West?', in *The World Today*, August 1948.

foreshadowed in the Moscow Declaration, remained a dead letter as long as Russia was interested in Austria as a strategic outpost. In some 160 meetings between 1947 and 1949 the Foreign Ministers' Deputies succeeded in narrowing down the differences on many controversial points, but it was only after the Ministers themselves had met in Paris that agreement in principle on a peace treaty was announced on 20 June. Agreement was then made possible because Russia made the principal concession by abandoning her support for Yugoslavia's claims, though Mr Vyshinsky used the face-saving device of revealing, what was in any case irrelevant to the claim, Yugoslav 'backstage negotiations' with Britain for the consequences of which the 'Soviet Government (could not) assume any responsibility'.

By the agreement Yugoslavia is to receive sanction for the transfer to her ownership of all Austrian property on her territory —a violation of the Potsdam decision that Austria was not to pay reparation—estimated to be worth about $120 million. The Slovenes and Croats in Austria are to be granted minority rights additional to those which they enjoy already. The Soviet Union is to return to Austria all but two of the German assets, the exceptions being 60 per cent of the oilfields and industry and the Danube Steamship Company, against payment of $150 million in freely convertible currency in the course of six years. The Deputies were charged with the task of working out the details of the transfer and of presenting a complete draft by 1 September The relief felt in Austria at the news soon mingled with more sober reflections, especially when Mr Acheson declared that no additional credits could be granted by the United States to pay off the Russians, and it is realized that to find the money in hard currency will prove a herculean task.

When the Deputies resumed their meetings on 1 July progress was very slow, owing to the absence of instructions from the Foreign Ministers on several important points. Were the Slavs to have a formal Minority Statute? Should Austria be allowed to employ foreigners in her proposed army and in aviation, and should she be forbidden to possess certain raw materials of military importance? Does the war booty which Russia is to return to Austria include machinery and rolling stock, or only immovable property? Here Zarubin offered to include such machines as were still in the country, but not rolling stock, where the Russians claim some 500 railway engines, about one quarter of the total number of Austria's locomotives. Great difficulties arose also over the mode of paying the $150 million (whether in quarterly or in yearly instalments), and over the oil and shipping assets.

The Foreign Ministers had agreed to Russia retaining control of

60 per cent of the Austrian oilfields in terms of output, prospecting rights, and refineries, together with installations and equipment. The Russian list enumerated seven wells in production, twenty-six exploration areas totalling 1,893,000 acres, five refineries, and nine oil distributing firms, basing their claims on a total annual output of 925,000 tons. Not only was this figure queried as being too high, but it was also discovered that the Russians claimed the richest wells and the most promising exploration areas, especially that of Gross-Enzersdorf, thus leaving to Austria less than her 40 per cent share. In the case of the Danube Steamship Company the Russians demanded forty-six single objects such as buildings, workshops, etc., thirty-seven ships, and one wharf, and here the argument revolved round the question of whether the Russians had the right to a share in the Company's subsidiaries. Among the general provisions there is one that protects Soviet property from nationalization, while another accords to Russia the right to export profits from the sale of oil inside Austria, or Austrian earnings of the Steamship Company, in freely convertible currency. But what to some extent offsets these provisions and is of fundamental importance to Austria is that properties, enterprises, and trading firms remaining in Soviet hands after the signing of the Peace Treaty will be subject to Austrian law and taxation and will have to observe Austrian labour legislation, including the full right of association, protection for shop stewards, industrial arbitration, and collective bargaining. The significance of this provision becomes obvious when the role of Soviet undertakings in certain Eastern European countries is remembered.

This was one of the three major agreements reached by the Deputies in their two months' work before their meetings broke up on 2 September. The Western Powers also conceded that the minority rights of Croats and Slovenes in Austria should be embodied in a special article and not simply guaranteed in principle; and, finally, the $150 million compensation for German assets are to be paid in quarterly instalments, and be backed by non-interest-bearing promissory notes issued by the Austrian National Bank to the Soviet Bank. With four other, relatively unimportant, articles withdrawn, there remain only nine articles on which agreement is still outstanding, including the thorny questions of the oilfields and of the definition of war booty.

In spite of the disappointment caused by this further delay in the conclusion of an Austrian Treaty, it was felt, both in London and in Vienna, that the Deputies had made some very real progress, and it was suggested to the Russians that the final decision should be left to the Foreign Ministers' meeting in New York on 22 September, to which the British Ambassador in Moscow had

been instructed to invite a Russian representative. It was generall
assumed that only the British and French Governments share
Austria's view that a hard treaty now was better than no treaty a
all, while the U.S. Government, afraid of laying itself open t
charges of 'appeasement' in Congress, was holding back in view
of Soviet intransigence. That the Russians themselves expecte
an early conclusion of the Treaty became evident early in Augus
when U.S.I A. enterprises in Austria began speeding up th
execution of orders for Russia, while at the same time dismantlin
machinery and offering for sale installations, scrap, and raw
materials which were not needed for immediate production
regardless of the immense damage to Austrian economy.

The Foreign Ministers and their Deputies held several meeting
in New York between 23 September and 6 October, and thoug
Mr Vyshinsky was no more tractable than was Mr Zarubin befor
him, there are indications that some progress was made. Th
Deputies were instructed to meet again on 10 October and t
report within a fortnight, both sides having indicated the direc
tions in which concessions might be possible.

THE AUSTRIAN GENERAL ELECTION

In the meantime the elections have taken place, and the stock o
the Government parties was undoubtedly affected by their failur
to obtain a treaty settlement. Popular discontent with the con
tinued occupation must have contributed in no small measure t
the considerable success of the extreme nationalist wing.

This second post-war election in Austria was of unusual interes
in that the three recognized parties—Conservatives, Socialists
and Communists—no longer enjoyed an electoral monopoly
Although the Allied Council still refused to allow new politica
parties to be formed, it accepted, after much hesitation, th
Socialist Home Secretary's interpretation of an article in th
electoral law according to which 100 citizens in any one consti
tuency may form themselves into a 'vote-soliciting group' (*wahl
werbende Partei*), and may nominate candidates. As a result
numerous 'Fourth Parties' constituted themselves in preparation
for the election, with one of them openly claiming to represen
the 433,000 minor Nazis who were disfranchized in 1945 bu
admitted in 1949. In addition to them, three other groups cas
their first vote on 9 October. the young voters of twenty and over
the products of Nazi education and the Hitler youth; the 150,000
odd Germans expelled from Czechoslovakia and other Danubia
countries and recently naturalized; and scores of thousands o
prisoners of war who were released since 1945. The total numbe
of registered voters was 4,390,000, compared with 3,450,00

in 1945—an increase of 27 per cent. As was to be expected, each party attempted to secure part of this new vote: the People's Party with great determination, the Communists mainly 'for the record,' and the Socialists half-heartedly and with little expectation of success except among the ex-prisoners of war.

The wooing of the Nazi vote was not always very dignified; while the Socialists arranged public discussions which attracted a few of the earnest Nazis who were disillusioned and made a genuine effort to understand their former enemies, some politicians of the Right, especially in the provinces, appealed to the 'heroic Front soldiers' whose support they asked for in the struggle against the 'inhuman consequences of the war', for which, by implication, the Allies were blamed. Special groups of 'Front comrades', recruited from among ex-Nazis, were formed and attached to the People's Party, and eventually a secret conference was held at Oberweis to which several prominent Nazi leaders were invited, presumably to discover what their price would be for giving a lead to their former followers by supporting the People's Party. It cannot be established whether in fact twenty-five safe seats had been offered, or demanded, or important posts in the party, or party support for the repeal of anti-Nazi legislation; but the admission that former Nazi leaders still commanded a following in the country, which was implicit in the selection of the delegates, created a very bad impression.

The Socialists' reply was to give greater encouragement to all dissidents to form their several 'Fourth Parties'. since they were not going to benefit from the enfranchisement of ex-Nazis, neither should their rivals. Their avowed aim is to prevent a concentration of all Right-wing forces in one party which might lead to another 1934. They are not afraid that any of these groups might become a new Nazi party, mainly because there is today neither a strong Germany to back them, nor will there be any Austrian capitalists to subsidize them, if only because after the return of the Russian-held industries 60 per cent of Austria's economy will be State-owned. Moreover, there has always been a tendency, if not a very pronounced one, towards nationalism and anti-clericalism among the Austrian middle classes and farmers, as exemplified by the *Grossdeutsche Partei* and the *Landbund* of the First Republic; and they consider it both a tactical and a political advantage to have the nationalists in parties of their own rather than allow them to influence the centre party The Socialists consequently hoped that the several 'Fourth Parties', particularly the V.D U., or neo-Nazi 'Association of Independents', would gain enough votes to lose the People's Party its majority and give the Socialists the chance to head a new coalition Government with the Conservatives.

The results show, however, that the V.D.U. has secured only about half of the new votes, and another quarter has gone to the People's Party, so that the Socialists are now relatively weaker than they were in 1945. Whereas in the immediate post-war election the combined Left vote exceeded the Right vote by about 7,000, today the People's Party-V.D.U. vote exceeds the Socialist-Communist vote by nearly 500,000.

The following table shows the strength of the parties in 1945 and after the recent election.

Party		*Votes*	*Percentages*	*Seats*
People's Party ..	1945	1,602,244	49·9	85
	1949	1,844,850	44·2	77
Socialist Party ..	1945	1,434,898	45·1	76
	1949	1,621,275	38 6	67
V.D.U. ..	1945		non-existent	
(now W D U.)	1949	489,132	11·7	16
Communist Party .	1945	174,257	5	4
('Left Bloc')	1949	212,651	5	5

Technically, this is a swing to the Right, but the People's Party will derive little satisfaction from a possible accession of voting strength through support from the V.D.U. This party, having only a very vague social-economic programme of its own, may at times even vote with the Socialists against clerical policies, as did its predecessors in the First Republic. In its founder, Dr Kraus of Salzburg, the V.D.U. (or W.D.U., as it is now called —'*Wahlpartei der Unabhängigen*') has a talented and not unattractive leader, but it remains yet to be seen whether he can keep his ill-assorted team together. There is, of course, always the danger that the totalitarian wing of the People's Party may be tempted to break away from the present coalition with the Socialists to form a partnership with the W.D.U., but while the present Federal Chancellor, Dr Figl, continues in office, this possibility can probably be ruled out.

What has been rather surprising is the relatively good showing of the '*Linksblock*' formed by the Communists with a group of dissident revolutionary Socialists led by Erwin Scharf, a former Socialist Deputy expelled from the party for 'fellow-travelling' and breach of discipline. It is pretty certain that it was this electoral alliance that saved the day for Communism, which might otherwise have lost heavily. As it was, Scharf provided an Austrian *façade* for the 'Russian Party', and though his organized following is small, his Socialist label secured for the Left *bloc* the votes of such working people as wished to express their opposition to the coalition policy of the Socialist leaders, with its consequent inevitable compromises and sacrifices. Hence the in-

creased Communist poll of 38,000 votes more than in 1945, and the additional seat in Parliament. Even so, despite the skilful and unscrupulous exploitation of every discontent, the revolutionary camp still accounted for only 5 per cent of the total vote, and nothing short of a complete economic collapse is ever likely to make it into a serious factor in Austrian politics, provided the Socialist Party continues on its present course of reformist Socialism which appeals to the great majority of the level-headed, intelligent Austrian working class

To sum up. the election results have shown that the People's Party continues to enjoy the support of the majority of the middle classes and the farmers, in the same way that the industrial workers look upon the Socialist Party as their protector and their instrument of advance. Between them these two parties share the responsibility and the credit for what has been accomplished since 1945, and the present coalition will continue for at least as long as the Western Allies have any influence in Austria. Whether, after the end of the occupation, the People's Party will follow the example of Bonn, only time will show; but it is to be hoped, for the sake of Austrian stability, that wiser counsels will prevail. Social unrest and political strife would be a strong invitation to Austria's neighbours to take a hand in her internal difficulties.

K R S.

TRIESTE'S NEW ROLE IN EUROPE

THE harbour of Trieste, which was the main outlet to the sea of the former Austrian Empire, became of international importance after the break-up of that State in 1918. Land-locked countries—Austria, Czechoslovakia, and Hungary—found this harbour, with its thirteen miles of deep-water wharfs, its modern facilities, and its efficient shipping lines, a most useful gateway for their overseas trade, useful even in the face of the renewed keen competition of Hamburg and Bremen. The policy of self-sufficiency which developed in Europe, and especially in the Danubian countries, between the two wars set a limit to the external trade of the Successor States, and this accounts to a great extent for the decline of Trieste traffic during that period.

Yet the importance of Trieste as a junction of sea lanes and land routes connecting Central Europe with the Levant and the Middle and Far East remains unimpaired. Hence the desirability, from an international point of view, of securing economic prosperity and

political stability to the town and territory surrounding the harbour.

PRESENT ADMINISTRATION

In 1945, when rivalries and suspicions beween Russia and the Western Allies had not yet come to a head, many believed that Trieste's vital role could be better carried out under a Free Territory régime. This is not the place to discuss the pros and cons of political divergences on the subject of Trieste and the whole Venezia Giulia region, which provided the knottiest problem in the Italian peace settlement. Suffice it to say that in the final treaty, which came into force on 15 September 1947, the Free Territory solution was adopted, while the area to the east of the Free Territory boundary went to Yugoslavia (Articles 3, 11, 21, 22; see map p. 473). Annexes VI-X of the Peace Treaty contained instruments for the final settlement of the Territory, and also for a provisional régime to cover administrative needs until the coming into force of the Permanent Statute.

In the event, the prior conditions necessary before the Permanent Statute can come into effect still remain unfulfilled, as the four great Powers have failed to reach agreement on the appointment of a Governor for the Territory, which under the Treaty is a prerequisite for the end of occupation. The provisional régime is therefore still in force, and the Trieste area is the sole remaining region in the Italian theatre which is still under military occupation. This tiny territory is, moreover, still divided, for administrative purposes, into the two Zones, "A" and "B", into which it was split as a result of the so-called Morgan Line agreed upon after the war between the British and Yugoslav commanders, on 21 June 1945. This Line, which divided Venezia Giulia into two Zones, north and south, now runs through the Free Territory. The northern Zone "A" included the city of Trieste, and was placed under British/United States administration, while the southern Zone "B" came under Yugoslav control. Under the terms of the Peace Treaty the Security Council of the United Nations is the body responsible for putting into effect the Peace Treaty's provisions on the subject of the Free Territory; and it is thus to the Security Council that Allied Military Government in Zone "A" is ultimately responsible during this interim period.[1]

On 20 March 1948 the Western Allies, having decided that the Free State solution was unworkable, announced that as soon as practicable the city, with its harbour and the '*topolino*' Territory, should be returned to Italy. The Allied Military Government,

[1] The quarterly progress reports presented to the Security Council by General T. S. Airey, Commander of the British/United States Zone, are a mine of information. A useful booklet, *Trieste Handbook*, was also issued in June 1949 by A. M. G., British/United States Zone.

THE HINTERLAND OF TRIESTE
(with Free Territory inset, Zone A to north, Zone B to south)

quite apart from its mission of defending Western political positions, has carried out a very useful work of restoration and maintenance in the economic field. Under its management war damage to the docks and industries has been repaired and important work in the way of housing, reclamation, and road-building has been undertaken. But the Military Government, as a purely interim régime, is debarred from undertaking any long-term planning or directive action.

TRIESTE BETWEEN THE WARS

When Italy took over Trieste in 1918 the local economic position was difficult. It was clearly impossible to put the clock back to 1913, when a rich entrepôt trade was fed by hundreds of

prosperous firms and a very active commodity exchange. Notwithstanding the existence of vast bonded warehouses, as well as of competent import-export merchants and brokers and an ample and well-trained force of dock labourers, it appeared evident that, since Trieste was no longer the main sea outlet for a home market of nearly 50 million inhabitants, it was impossible to revive the same kind of trade and the same degree of prosperity for the city.

Shipping and docks statistics did not at first sight show the changes which had intervened in the nature of Trieste trade since the first World War. Only by breaking up the figures and through first hand observation of the facts did it become apparent that most of the trade passing through the docks by-passed the trade of Trieste itself. Only manual workers and forwarding agents were benefitting by it, for the actual marketing business had been transferred elsewhere and was transacted either directly between seller and buyer—in Central Europe and in overseas countries—or through the merchants and commodity brokers of London and New York. It was impossible to feed a large section of the population on the income derived from the fees and commissions resulting from the use of harbour facilities.

A consequence of this situation was that Trieste's traditional industries, in low water as a result of the post-war crises, had to be backed up financially and commercially by the Italian Government, and the shipyards were rebuilt and modernized. In a few years they grew to represent nearly half the total Italian shipbuilding capacity, and were entrusted with the building of warships and liners for the Italian Navy and merchant fleet. The construction of large liners and merchantmen for foreign flags was also encouraged by all possible measures, including subsidies. Even tankers for U.S. and British flags were built in the Monfalcone shipyards near Trieste, under contracts concluded by the Italian Government with world oil distributors.

At the same time the old and prosperous Triestine shipping companies, the Lloyd Triestino and the Cosulich, were being sheltered against the acute post-war shipping crisis by securing a share in the Italian overseas trade and by taking part in a subsidized shipping scheme. The steel works, like most other similar concerns elsewhere in Italy, came under Government supervision. Oil refining was greatly developed by obtaining a large share of the Italian home market under officially sponsored distribution schemes. The oilseed-crushing industry was enlarged and re-equipped, sharing with Genoese concerns the growing Italian home market. Minor industries were also supported in various ways, and found a living either in connection with the revived shipbuilding industries or, as in the case of the jute mill

and the food factories, by supplying the Italian home market

The only real positive asset remaining after the first World War was the Insurance Companies, one of which, the Assicurazioni Generali, ranked among the leading concerns in world insurance business. The importance of the insurance trade was at first recognized by the Italian Governments, who excluded Trieste Companies from the State Monopoly. Later on, however, when the need of foreign currency for the preparation of war became acute, their foreign assets were largely ransacked.

DEVELOPMENTS AFTER WORLD WAR II

Since the second World War the economic background of Trieste has undergone yet another change. It is now no longer a question of being surrounded by small reciprocally unsympathetic States each vainly aiming at self-sufficiency of some kind or other. Now, of the four States which before the war constituted the source and the repositories of export-import trade passing through Trieste, three are under a Communist régime. Such a régime is, of course, antipathetic to the kind of private initiative which is the life and soul of entrepôt trade. On the other hand, the political situation of Germany tends to deprive the countries of south-east Europe of access to the great German harbours of the North Sea, and of cheap inland waterways transport which used to be the chief competitor to Trieste trade.

The role of Trieste is now paramount only in securing Austria's supplies—chiefly E.R.P. goods. Thus in the first four months of this year 300,000 tons of grain were shipped to Austria over Trieste. Petrol and other refined oil products, oil seeds, cotton, jute, rubber, tobacco, copper, hemp, rice, fruit, and vegetables form the rest of the total of well over half a million tons of goods which were shipped over Trieste during that period. Austrian overseas exports in the same period amounted to about 150,000 tons, chiefly paper and cardboard, timber and cellulose, iron and steel manufactures, magnesite, and fire-bricks.

On the whole trade with Austria at present covers 70 per cent of the total turnover of the Trieste docks—an unprecedented situation, and one which will last at least as long as Austria does not obtain a reasonable peace treaty and until trade of some size can be restarted with her continental neighbours Even then Trieste will remain the only gateway through which Austrian manufactured goods can be exchanged on overseas markets against essential foodstuffs and raw materials. A practical contribution to facilitating this flow of trade to and from Austria was made this year by the Italian-Austrian trade agreement of 18 March, in which it was stipulated that freights on Italian ships and dock

charges at Trieste are no longer to be paid in cash, but are to be passed in the clearing account with Italy, thus avoiding Austrian expenditure of foreign currencies.

Substantial oil shipments were forwarded last year to Czechoslovakia through Trieste, and trade turnover with that country approaches pre-war figures. Hungarian imports from and exports to overseas countries were diverted from the Yugoslav ports to Trieste when Moscow ordered the economic blockade of Yugoslavia. This evidence suggests that the Polish Baltic ports of Stettin and Danzig-Gdynia do not offer an alternative to the harbour of Trieste, owing to the inadequacy of shipping facilities. But quite apart from the geographical position of those Baltic ports, far from the great sea lanes, it is probable that many years of planned work of expansion and improvement on inland communications leading to the Polish and east German ports will be needed, if they are to offer the same advantages of cheapness as the west German waterways, or the speed and efficiency of transport which the Austro-Hungarian railway system left as a legacy to Trieste.

TRIESTE'S ECONOMIC FUTURE

Now again, as after the first World War, the economic future of Trieste appears to be dependent on, and interlocked with, political developments in south-eastern Europe. In this field, logical reasoning can throw little more light on the future than wild speculation. But, on the quite hypothetical assumption that there might be some possibility of the Danubian countries diverging from Russian allegiance and from out-and-out Communist systems, the economic role of Trieste might then become even more important than can be anticipated now.

In the days when Hamburg and Bremen were backed by the powerful organization of the Reich's railways and waterways, as well as by the resources of an extensive, disciplined home market, it was possible to build up a vast network of oceanic lines and a prosperous entrepôt trade. Similarly, any scheme of European Federation or Customs Union embracing Austria and eventually extending to other south-eastern countries should at least include, among its essential economic requirements, a liberal use of the Trieste docks, and of her shipping, industrial, insurance, and trade facilities.

For a role of this kind, something more is needed than a row of wharfs and piers, even if equipped with up-to-date lifting power and well-fitted storage space. An ordered and contented community must be available outside the gates of the Bonded Warehouses, so as to provide hands and brains for the task of building, repairing, and maintaining ships, rolling stock, and machines, to

man and manage shipping lines, and to supply personnel for both the technical and administrative running of international trade.

As the experience of the twenty years between the two wars has proved, it is perhaps wise not to put all the eggs in one basket, and not to rely too exclusively on the profits of international trade for the maintenance of a large part of Trieste's population. It is sound policy to revive local traditional industries, and to do so before skilled labour is dispersed or has lost efficiency through long unemployment and through diversion to other trades. Under the present A.M.G. rule much has been done in this direction, as is shown by the decreasing unemployment figures and by growing shipbuilding and shipping activities, including the setting up of Agencies by important foreign shipping lines.

Nevertheless industrial unemployment at the end of June was reckoned at 10,000—too high a figure in a city with a permanent population of under a quarter of a million. This clearly indicates the need of a long-term economic policy such as could not originate from a military administration. On the civilian régime to come—that is, presumably, on future Italian administration of Trieste—will fall this delicate and heavy task But it is internationally important that that task should be carried out satisfactorily. It would be tragic if, at one of the crucial meeting points of the Communist and the democratic worlds, the experiment of rebuilding, by Western methods, the prosperity of a key town should fail On the other hand an undisputed success achieved at the southern end of the Iron Curtain, and within a stone's throw of the lion's den, might have an effect comparable in kind, if not in size, to the psychological result of the Berlin air lift, at the other end of the Curtain

A. C.

THE CAMPAIGN IN MALAYA

TACTICS OF JUNGLE FIGHTING

IN a previous article the origins of the present conflict in Malaya were discussed.[1] It is now proposed to make some observations on the actual processes of the fighting.

What are the Communists trying to achieve? It is doubtful if they are quite clear on that point themselves. From captured

[1] "Communism in Malaya", in *The World Today*, August 1949.

documents it is evident that they started with the idea of a complete victory and the establishment of a Communist State. They expected to be able to 'organize' the people and establish so-called liberated areas in outlying districts which they themselves would govern, and then, by extending these areas, to gain control over the whole country and squeeze the British out. It seems scarcely credible that they should seriously have believed in this possibility; that they did so is due to a number of misconceptions brought about by their own fanaticism.

The first of these is their belief that the war-time guerrillas were responsible for the Japanese surrender in Malaya. This may strain the reader's credulity, but there is ample evidence to show that the Communists really do believe it. And, believing it, they naturally assumed that the easy-going British would be a much softer nut to crack. Another delusion was their belief that the majority of the country Chinese would rally to their cause. This was probably occasioned by war-time experience, when they did enjoy willing support from the population. The fact that the country people still gave them material aid made them think that they still enjoyed a favour which they had long forfeited. But it was fear, not favour, which brought the contributions. Yet another delusion was that British tactics and strategy were no good, and British troops useless in jungle. They can be excused for this belief; the only experience on which they could base their judgment was the Malayan campaign. They knew nothing of Burma, and were indeed abysmally ignorant of everything outside their immediate experience.

THE COMMUNIST TECHNIQUE OF 'LIBERATION'

A good example of their technique in 'liberated areas' was the brief 'liberation' of Pulai, in South Kelantan, in the early days of the conflict. Pulai is an isolated settlement of Chinese, a sort of Shangri-la cut off from the world, where for many generations a few hundred Chinese have gone about their affairs in virtual independence, only reminded by the occasional visit of a District Officer of the existence of a Government beyond their own headmen. They did not know that they had been chosen to be the first 'liberated area' until a band of Communists suddenly appeared from the jungle. Then they were told a wonderful story of the great Communist victory in Malaya, and how the whole country was now in Communist hands and Pulai must arm to join in the last fight against the defeated Imperialists. They swallowed the whole story, and the men of military age were all given weapons of some sort—some of them rifles without ammunition—and set out to man the trenches with their Communist comrades. When

the 'Imperialists' came—mostly Malays of the Malay Regiment—the Communists put up a good fight, as they generally do, and owing to the difficulties of approach this little 'liberated area' actually lasted for a week or so. Then the Communists retired into the jungle and left the bewildered inhabitants to explain the whole thing.

This was the only 'liberated area' that might be said to have been dealt with according to plan. The others were either bits of swamp or jungle or Chinese 'squatter' areas which the Communists claimed to control when there were no police or military patrols about. The only form of government they seem to have set up was an efficient system of 'tax' gathering in the form of extortion, and one authenticated case of the sale of Communist dog licences at a cheaper rate than those issued by the Government. The Communists must soon have realized that their original plan was not succeeding, and it is difficult to believe that they have any other objective in continuing the struggle than the infliction of as much damage as possible to a country which is of great importance to the non-Communist world. It is with the struggle against this menace that the rest of this article deals.

THE NATURE OF THE GUERRILLA WAR

Malaya is an almost ideal country for guerrilla warfare. Given arms and ammunition, what a guerrilla needs is a safe base, good lines of retreat, a secure food supply, and vulnerable objectives within easy reach. Malaya supplies him with all these. The objectives—for the Communists—are almost everything which exists in the settled areas of the Western alluvial plain and the Eastern coastal belt, from the inhabitants, whom they can murder and plunder, to the rubber estates, tin mines, railways, and telephone lines, which they can put out of action. Their base is the jungle edge, where they can build good hideaways and from where there is a secure retreat into the interior. Their food supply comes from the settlements of Chinese squatters, who grow food along the edge of the jungle all the way from Kedah in the north to Johore in the south. By far the greater part of the country is still virgin jungle, and from the central spine of mountain the jungle is within easy walking distance of the railway, the main trunk road, and most of the important rubber and mining country. And once inside the protection of the jungle it is an unlucky man who cannot evade pursuit. His only danger is the necessity of preserving his food supply, which comes from the outside; and in time of need he can even cut himself off from this for a time and rely on getting food from the jungle-dwelling aborigines who cultivate rice and tapioca within the jungle itself. Nor is the Malayan hill

jungle at all inhospitable. It is quite possible for a gang of bandit when off duty to 'fleet the time carelessly, as they did in the golde world'; though it is doubtful whether they look for tongues in tree or sermons in stones, being amply supplied in this respect by thei own leaders.

Profiting from war-time experience, the Communists hav built for themselves a complete network of camps in the jungle most of them within easy reach of the outside so as to be easil supplied, and all of them extremely well camouflaged. They mak no attempt to hold these camps if attacked. The sentry post i sited some distance from the camp on the only line of approach— for it is rarely possible to approach a camp except by way of th main track, and on hearing a shot from the sentry a rear guar holds the track for a few minutes while the rest of the bandits ge away and march off without difficulty to another camp which i waiting for them. They may leave tracks, but the pursuers ar tired before they set off after them, and almost never catch u with them before they have to return for supplies. The route take usually before long goes up the bed of a stream which obliterate the track, or else it joins a track normally used by the jungl dwellers so that it becomes impossible to trace. People who have n experience of this kind of fighting are often at a loss to understan the lack of success on the part of the security forces when attackin bandit camps, and are apt to attribute it to incompetence. Th fact remains that not even the most experienced troops of any race accompanied by trained trackers and all the advantages in arm and tactics that have yet been devised, have yet been able to effec a complete surprise on a bandit camp in the jungle.

METHODS OF COUNTER-ATTACK

Let us suppose that the commander of a unit is lucky enoug to receive information that a camp exists in a certain spot. If he is really lucky the information will come from a 'Sakai', or jungle aborigine, and will be sifted by a trained interrogator who will find out all that the informant knows. It is useless to expect the names of mountains and rivers to be of any use, for the Sakai, if he knows any names, will probably use different ones from those appearing on the map. However, by dint of careful questioning the Commander may be able to forecast pretty accurately to within a quarter of a mile where the camp is. (He will get thus far in about one case in twenty). If the luck still holds, he will find out that there is a back-door route into the camp approachable from an unexpected angle, and that the Sakai is prepared to guide a party there. But this is rare, and even when it is promised, there is more than a chance that when it comes to the point the Sakai will get cold feet

and give a false lead. The Commander's object, naturally, is to approach the camp simultaneously from front and rear and bottle up the bandits in it. But he knows that any move into the jungle in the area, by night or by day, will be signalled to the camp by spies hiding in houses near the edge or sited on commanding hill-tops. So he will probably have to send in the back-door party from a point several miles away, possibly to spend a night in the jungle on the way and approach the camp, if they can get there, at a pre-arranged time. He will be extremely lucky if the party makes the rendezvous as planned, for, once inside the jungle, they are like a ship navigating in dense fog without the advantage of moving in a straight line, or even knowing their speed. If they do make it, they may be wet and exhausted, for there is no means of knowing beforehand what sort of country they will encounter.

But let us suppose that the luck still holds, and that both the front and rear parties succeed in getting to the vicinity of the camp at the same time. One of the parties will then discover the camp by bumping the sentry, who will fire from a concealed post straight down the track, the chances of making an approach from an unguarded flank are almost negligible, for you cannot move in the jungle in extended line, and even the best guide is not likely to be up to guiding a party off the track to an attacking point. So the attacking force is bound to be spread out in file along a narrow track, which at the point where it meets the sentry will be covered with automatic fire. To get in to the camp the party has either to deploy and approach from the flank or charge straight up the track in the face of automatic fire. Whatever happens, there is bound to be some delay, which will enable the main body to get away in their pre-arranged manner. If during their retreat they meet the other party of attackers, they may suffer a casualty or two, but they will still be able to escape by fading into the jungle, to meet later at the next rendezvous. Here, unless the pressure can be kept up, they will have time to reorganize and restore morale.

The reader may suppose that these difficulties could be got over by a preliminary reconnaissance. Such a reconnaissance, on foot, is out of the question. Apart from the practical impossibility of spotting a camp without being spotted oneself, the operation of even the smallest party in the vicinity of a camp will quickly be known, and it will be empty when attacked. The only alternative is reconnaissance from the air. But here again it is almost impossible to spot a camp, except by photography, and any suspicious move by aircraft will cause the immediate departure of the inmates. There is no easy solution to this problem, and the answer lies in unrelenting pressure and the continuous and remorseless use of every counter-measure that can be devised.

THE DEFENSIVE SPECIAL CONSTABULARY

The first counter-measures were naturally defensive. It was essential to stem the wave of murder and attempt to restore confidence as quickly as possible. It was clearly impossible to provide military guards for the hundreds of estates and mines and the thousands of persons (chiefly Europeans) who were in danger of attack by terrorists, and so, early in the emergency, a scheme was inaugurated for the enrolment of special constables in very large numbers. The response to the call for recruits was beyond expectation, and many thousands of specials, chiefly Malays, were enrolled. They were given a brief training, armed with rifles, and set to guard life and property in all the vulnerable areas, which means, to all intents, everywhere outside the towns Each planter or miner has his bodyguard of specials, who accompany him almost wherever he goes. There are all sorts and conditions among them; they are not good shots or specially brave men; but they have proved their value a hundred times over. To the bandits, looking for cheap successes, the mere fact that some one is on guard, some one is likely to have a shot at them, has acted as a most efficient deterrent. Many people criticized the scheme when it was introduced, and many still criticize the specials, their training, and their armament, but there can be little doubt that without them the essential industries of the country would have been exposed to attacks that might have come near to paralysing them. And their existence has released the regular police and the military for their proper task of attack and not mere passive defence.

The attack has developed many forms. The obvious one has already been touched on, the ground attack on bandit camps Troops are now deployed all over the country and engaged in ceaseless jungle patrols in search of the enemy. Much of this patrolling is done as the result of information, but probably the greater part is still 'speculative', i.e., aimed at exploring an area to see what there is there. The worst areas for bandits are now fairly well defined, and in these areas speculative patrolling often brings quite surprising results; and even if bandits are not encountered, any area which is regularly patrolled is denied to the enemy, confidence is restored to the loyal inhabitants, and information begins to flow in. There are all too many areas in Malaya which have never been properly re-occupied since the return of the British administration. Large districts which were formerly forest were opened up by Chinese for cultivation during the Japanese time, and some of these have scarcely seen an administrator, though they have seen plenty of Communists. In a way, therefore, the present conflict involves the re-occupation of certain

areas of the country, and the assertion of Government authority. This cannot be done, at this stage, by occasional visits, but requires regular patrolling and if possible the stationing of police or troops in the area. Hence the importance of so much wearisome and often apparently unrewarding patrol work by the security forces.

R.A.F. AND NAVAL COUNTER-ATTACK

Another method of direct attack is the employment of the Royal Air Force. The bandits are being constantly harried by air strikes on their jungle camps. The actual casualties inflicted in these attacks are no more impressive in number than those inflicted in ground operations, for it is as easy to avoid being bombed in the jungle as it is to escape a ground attack, but their effect on the bandits' morale makes them well worth while, and they are all part of the general concentration of counter-measures which will eventually break the back of the insurrection. The R.A F. has already produced very good results in reconnaissance, especially by photography, which has the advantage of not disturbing the bandits. Photographic maps of jungle areas in which troops are to operate have proved extraordinarily useful. And another field in which the air has been invaluable is in ground-to-air signalling by small portable radio This has enabled commanders to keep in touch with patrols actually in the jungle and switch them about as required, a great change from the time when a patrol once launched was as much out of touch as was Nelson chasing the French fleet to the West Indies

The Navy also has its role in this conflict, patrolling the long coast line against the possible movement of bandits and supplies by sea. There have also been instances of amphibious operations, where security forces have been landed from seaward in an attempt to achieve the surprise which is so essential against this elusive enemy.

FERRET FORCE

One of the chief difficulties hampering the Services is lack of local knowledge, not so much knowledge of the ground—which is easily learnt—as knowledge of the people, their languages, customs, and habits of thought. For this is essentially a police business, and the troops are called on to do all sorts of things for which they are not trained and which are quite outside all their normal activities. When men have only just learned to distinguish between Malays and Chinese, it is a great deal to expect them to sift the few bad men from the thousands of innocent, law-abiding, and probably frightened people they meet with in the course of

their operations. It was partly for this reason that the special unit called Ferret Force was raised. This consisted of a backbone of picked troops, British, Malays, and Gurkha, with locally-domiciled Europeans as officers and a leaven of Chinese liaison officers who volunteered to fight the common menace. The force was in existence for some six months. Its units went into the worst bandit areas and encamped as near the bandits as they could get, patrolling intensively in the jungle and squatter areas around. It met with considerable success, and was good training for the troops who were later transferred back to their own units. It was later replaced by a general liaison corps which supplied local men of all races to the regular units to assist in their operations. It was, incidentally, this force which used most of the Dyak trackers who were recruited from Sarawak to help in the all-important job of following bandit tracks.

TASKS OF THE POLICE

So much for the military side of the conflict. But it is, as stated, chiefly a police business, and the Police Force, now greatly expanded, has been occupied to the fullest extent ever since the emergency began. They have their share of fighting, for they carry out offensive patrols in the same way as the Army, but the major part of their work has less news value and does not get into the newspapers. A Communist shot in a fight is news, whereas the arrest of ten times that number, though far more damaging to the bandits, is not. Only a portion of the bandits live permanently under arms in camps. At least as dangerous are the killer squads who pass the days as peaceful citizens and go about their black business at night. The rounding up of these men involves not only danger, but a great deal of hard work in sifting information and questioning suspects. The Chinese detectives attached to the Police Force can be said to be doing a very good job in a position of great danger. They are targets for the assassin's bullets, and they know it.

Among all the ramifications of police work required in this emergency, many of which can be imagined, it will be sufficient to mention two of the most important. They both form part of the attack on the bandits' supply lines, and they are undoubtedly among the most important of the counter-measures now being employed. The first is aimed against extortion. The bandits are financed exclusively by extortion from Malayan residents, mainly Chinese. The Chinese, unfortunately, have a history of extortion and protection money in their own country dating from time immemorial, and it is perhaps true to say that any Chinese who makes a little money takes it as a matter of course that sooner or

later he will be compelled to contribute to the support of some person who is in a position to bring pressure of some sort to bear on him. It is therefore not surprising that the bandits, with the terror that they have carefully worked up, are able without much difficulty to obtain money from a very great number of well-to-do Chinese. Indeed, with things as they are, it is more of a wonder that any have been found with the courage to resist extortion. For a man cannot in the long run be completely protected except by public confidence and public order. Even if he surrounds himself with a permanent bodyguard, there is his family to consider, and if his family is safe, his business, his means of livelihood, remain vulnerable. Even a Police Force ten times as strong as the present greatly enlarged force in Malaya could not guarantee the protection of every one of the citizens against the assassin.

Only by concerted action on the part of the citizens themselves can this menace of extortion be overcome Appeals for such action have been made without number and without effect, but lately a method has been found which has at last compelled the richer Chinese to come together to protect themselves. Under the Emergency Regulations a number of persons who are known to have been contributing regularly to the bandits have been arrested and held in custody. This has introduced a new element into the game. It is easy to protect one's business by paying a percentage of the profits as 'insurance' to the bandits But when such payments are liable to lead to arrest, one begins to look for an alternative means of insurance, and there is evidence that the Chinese are beginning to think of collective security. At any rate a movement is now on foot for collective pledges not to pay extortion money, which is a very great step in the right direction.

The other recent police move is of the same type. In addition to the rich who have been contributing money to the bandits, there are the poor who have been supplying food, shelter, and protection for precisely the same reasons. These people, too, by a similar drastic measure, are being induced to get together for their own protection. By a special Emergency Regulation the squatters in areas which have been hotbeds of terrorist activity, and where they have been shown to be aiding the enemy to an unnecessary extent, have been removed from their homes and either settled elsewhere or sent back to China. It is a drastic measure, but these are drastic times. The removals have been carried out with as much consideration as possible, and compensation has been paid for all losses. The policy is justified by the clear documentary evidence that it is one of the severest blows yet inflicted on the bandits. And, again, it has had the effect of compelling squatters to come together and devise measures for their own protection.

The forces of law and order are now, therefore, on the attack, and there has been a clear improvement in recent months. But, as was pointed out in a previous article, the chances of a change of heart on the part of the 'hard core' are very slight, and with all the difficulties that the nature of the country and its people present, the struggle is still likely to last a long time. It is to be hoped that there will be no relaxation in the attack, for if there is to be any security in Malaya this must go on till the last bandit has been accounted for. Complacency is probably the greatest danger that remains to be faced. The people of Malaya are united against the terrorists, but it is not they who will force the pace. Only a vigorous and unrelenting policy on the part of the administration will ensure that the menace is finally disposed of and the stage again set for order and progress.

B. N. R.

CONTRASTING CONSTITUTIONS IN GERMANY

THE present study is an attempt to analyse the main contents of the Constitution now being applied by the Federal Republican Government of Germany formed in Bonn in September.[1]

In order to emphasize its character as a transitional constitutional statute applying to the eleven Lander of the three Western Zones, the name given to it is Basic Law (*Grundgesetz*), and the final Article (146) declares that this Basic Law 'shall become invalid on the day when a Constitution adopted by a free decision of the German people comes into force'. The Länder affected are: Baden, Bavaria, Bremen, Hamburg, Hesse, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatine, Schleswig-Holstein, Wurttemberg-Baden, and Wurttemberg-Hohenzollern. The position as to Greater Berlin is that although it is included in the Länder enumerated in Article 23 its effective representation as a twelfth Land has been postponed. It sends delegates to the Federal Parliament but has not at the present moment the right to take part or vote in its deliberations.

At the same time, the so-called 'People's Council' (*Volksrat*) in

[1] English text in *The Bonn Constitution* (U.S. Department of State, Publication 3526, June 1949).

the Soviet Zone—a kind of shadow cabinet set up by the Soviet-sponsored 'People's Congress'—has elaborated a Constitution intended to apply to a 'united Germany'. A swift Soviet-inspired campaign, due at least in part to uneasiness about the successful start made by the Federal Government in Bonn, put this Constitution into effect on 7 October and based a provisional Government on it. Elections were postponed for at least a year; their presumptive value, when they do take place, is discussed later in this article in the light of the provisions of the Constitution.

A strange kind of Germany seems likely to arise from the application of the 'People's Council' Constitution, for it looks East and West at the same time. It is less closely allied with the Soviet-Russian Constitution (as amended in 1947) than are the Constitutions of the Russian satellites, because from time to time lip service is paid to the principles underlying the Weimar Constitution of 1919, which has evidently been closely consulted. So has the United Nations Declaration of Basic Rights, although the Soviet Union abstained from voting for it. Since the Weimar Constitution was very much in the minds of those who framed the Basic Law, it will also be the subject of occasional reference and comparison here

The prerequisites of any federal government Constitution, according to the authorities on constitutional law, are that

1. It should be supreme over both Federal and State Governments;
2. It should be written,
3. The power to amend it should not be made too easy and should be equally balanced between the Federal and State Governments;
4. It should contain a declaration of the basic rights of the individual,
5. It should provide for its own interpretation by an independent juridical authority.

The Bonn Constitution will be found to comply with these general requirements But another factor plays an important and unusual role where Germany is concerned—the Allied occupation. Full sovereignty, it is clear, cannot be exercised so long as supreme authority is retained by the occupying Powers, and the very first words of the preamble of the Statute of Occupation specifically say that such is the case [1] In consequence, the views of the Allies had to be taken into account in drawing up the Constitution. Before attempting any prediction as to the stage at which sovereignty may be reassumed (and the views of the Allies left out of

[1] 'In the exercise of the supreme authority which is retained by the Governments of France, the U S , and the U K . '

account) it is necessary to know how long the occupation will last. This point was duly considered in the six-Power talks on Germany held in London in the spring of 1948, when 'the U.S., U.K., and French delegations reiterated the firm view of their Governments that there could not be any general withdrawal of their forces from Germany until the peace of Europe is secured and without prior consultation'.[1] Once, however, the Allied Powers had made the point that the interests of European peace, as secured by the occupation, overrode those of German sovereignty, they were prepared to leave the future German political organization and institutions for the Germans to decide as they thought fit, though subject to the paramount rights of the High Commission in certain spheres.

A parliamentary Council of sixty-five members[2] was created, and began on 1 September 1948 to draft a provisional Constitution which was to be 'such as to enable the Germans to play their part in bringing to an end the present division of Germany, not by the reconstitution of a centralized Reich, but by means of a federal form of government which adequately protects the rights of the respective States and which at the same time provides for adequate central authority and guarantees the rights and freedoms of the individual.'[3] The latitude left by the use of the words 'centralized Reich' and 'federal form of government' led to considerable differences of opinion both between the German parties and between the Allies. Various hitches thus occurred in the negotiations, though they were eventually surmounted. The German parties' views, briefly summarized, ran along the following lines.

The S.P.D (German Socialist Party), which polled 28·5 per cent of the total votes at the August elections, gave as its aim the drafting of a Basic Law which should ensure equality of rights for all sections of the community without offering support to either capitalist or ecclesiastical vested interests. This party wished to see a Federal Government sufficiently centralized to put into effect its own social and economic programme.

The C.D.U. (Christian Democratic Union), more closely tied to tradition, would have liked to see the Basic Law offer frank support to the Churches, mainly the Roman Catholic Church, at the same time leaving economic forces to work themselves out without undue interference. Its economic doctrine, formulated by the Nuremberg Professor Ludwig Erhard, rejects the nationalization of basic industries, together with all forms of Marxism, while

[1] London Agreement, section v (*a*); text in *The Times*, 8 June 1948

[2] Composed as follows S P D, 27, C.D U, 19, C S.U, 8, F.D P, 5, K.P D., D.P, Zentrum, each 2. The initials are explained below as they occur

[3] London Agreement, Section iii (*a*).

putting forward a social policy designed to satisfy the Christian Trade Unionists. Outside Bavaria its votes were counted with the C.S.U. and, with 32 per cent of the total, it came out the strongest party.

The C.S.U. (Christian Socialist Union) is an exclusively Bavarian wing of the C.D.U., and as such is rather more conservative and Catholic. It obtained 29·2 per cent of the votes in Bavaria, equivalent to about 5 per cent in Western Germany as a whole. Its votes are chiefly derived from rural districts where the Catholic Church and Bavarian nationalism are, together with the furtherance of agriculture, the decisive interests. In consequence its trend is anti-centralist. This party's views are roughly those of the former Bavarian Zentrum party, whose parliamentary representatives included a number of priests until the Vatican frowned on clerical politicians.

The F.D.P. (Free Democratic Party) favours a strong central Government and the separation of Church and State Liberal in outlook, with a programme opposed to Socialism and planned economy, it demands an ever-increasing number of small and medium-sized concerns in trade and agriculture. It received 11·5 per cent of the votes.

The K.P.D. (German Communist Party) is hostile to the very notion of a West German Parliament. Its two representatives on the Parliamentary Council contributed nothing to the drafting of the Basic Law. Bonn they scornfully describe as 'the German Vichy'. The K.P.D. obtained 5·6 per cent of votes.

The D.P. (German Party) is a Right-wing though not extremely reactionary party which was dissolved in 1933, after which a number of its leading personalities remained outside, and in some cases opposed, the Hitler organization. It received 3·8 per cent of the total votes.

The Zentrum (Centre Party) carries on the traditions of the so-called 'Cologne Trend' of the old Centre Party. In its present form it was founded in 1945. It is well to the left of the C.D U., though its appeal to the Catholic Trade Unions and its specifically denominational character keep it to the right of the S.P.D. It obtained 2·9 per cent of the total votes.

The divergent views of these parties were of course difficult to reconcile. Delays occurred on this account and also because the draft Basic Law, which was completed on 10 February 1949, was unacceptable to the Allies and drew from them a number of suggestions contained in a memorandum of 2 March 1949. This bore principally upon questions of legislative competence (the Military Governors considered that the powers of the Federal Government did not adequately safeguard the position of the Länder) and

finance. After a number of ups and downs agreement was reached in principle on 25 April.

The new chapter of German constitutional history began on 12 May, when the Military Governors, assembled in Frankfurt together with the Ministers President of the West German Lander and representatives of the Parliamentary Council, gave their solemn agreement to the new Constitution. They made, however, certain reservations. In the first place they reminded the German authorities that the powers vested in the Federation by the Basic Law were subject to the provisions of the Occupation Statute. They then reserved the following points:

(*a*) certain federal police powers could not be exercised until specifically approved by the Occupation Authorities;
(*b*) Greater Berlin should not be accorded voting membership in the *Bundestag* or *Bundesrat* or be governed by the Federation;
(*c*) the boundaries between the Lander (except Wurttemberg-Baden and Wurttemberg-Hohenzollern) would remain as now fixed until the signature of a peace treaty;
(*d*) in respect of Article 84, paragraph 5[1] and Article 87, paragraph 3[2], which give the Federation very wide powers in the administrative field, the High Commissioners pointed out that 'they will have to give careful consideration to the exercise of such powers in order to ensure that they do not lead to excessive concentration of authority '[3]

What came out of the interplay of views put forward by the parties was a pattern of political compromise closely woven into the basic fabric of German national psychology and tradition As we have seen, the compromise reached had at the same time to conform to the general principles laid down by the Occupying Powers, which took no account of German tradition and practice, of the requirements of modern Germany, or of the policies of the various political parties. It is satisfactory to find that in some cases these principles marched with German ideas. Where the conflict between German and Allied views seemed incapable of solution, Allied requirements were often eventually modified. The result showed itself to be a government machine not very different in its main lines from that of Weimar. Yet the Basic Law seems in many

[1] 'For the execution of federal laws the Federal Government may, by federal legislation requiring the approval of the *Bundesrat*, be granted in special cases the power to give individual instructions They shall, except where the Federal Government adjudges the case urgent, be directed to the highest Land authorities '

[2] 'Should the Federation acquire new functions in matters for which it has legislative competence, federal authorities at middle and lower levels may in case of urgent need be established.'

[3] Letter of Approval of Military Governors, 12 May 1949.

respects to be a better instrument than the Weimar Constitution, for it is both more closely organized and more practical. Philosophical considerations, which often play a considerable part in German political thinking, have been whittled down to a minimum and their place taken by a concise and sensible Bill of Rights. The endeavour to turn the fundamental rights into legal precepts binding on legislator and judge alike is a further advance. How the Germans will use this weapon will be watched with interest; it has a sharp edge and should prove effective in safeguarding newly-acquired democratic liberties.

The general structure of the West German State, as laid down in the Basic Law, is that of a Federal Republic in which State authority is exercised through the medium of a popularly-elected First Chamber (*Bundestag*), an indirectly-chosen Second Chamber (*Bundesrat*), responsible executive organs, and a judiciary responsible for maintaining the rule of law

Human Rights have been given pride of place, for the section entitled 'Basic Rights' has been inserted at the very beginning of the Basic Law. The reason for this was to emphasize the requirement that the organs of the German Federal Republic and the Lander must conform to the principles of the Declaration of Human Rights enunciated by the United Nations in December 1948. In the Weimar Constitution the corresponding section only appeared in Part II.

The section on Basic Rights begins by invoking the inviolability of the dignity of man and goes on to guarantee the equality of all before the law, the equality of men and women, non-discrimination between races, the liberty of political opinions, and other rights. Article 1 provides that these Basic Rights shall be binding on legislation, administration, and judiciary They have legal force in themselves, and any person who considers his rights to be infringed by public authority may appeal to the courts (Article 19).

It may be noted that the People's Council (*Volksrat*) Constitution in the course of its section on 'Rights of the Citizen' devotes thirteen Articles to human rights, though with curious political interpretations which make many of the rights illusory. In particular the word 'democratic' is called upon to do hard work. After laying down in practically the same words as in Article 3 of the Basic Law that all men and women shall be equal before the law, the *Volksrat* Constitution goes on to decree in vague but threatening terms that 'the boycotting of democratic organizations . . is a crime. Any one punished for this cannot be employed in any public position and loses the right to vote' In the *Volksrat* Constitution the interpretation of basic rights follows the Weimar Constitution

more closely than that of the U.S.S.R. But in both of the C munist-inspired texts what is given with one hand can be t away with the other. In the *Volksrat* Constitution the possibi of twisting the word 'democratic' destroy the value of out concessions to human rights; in the U.S.S.R. Constitution the cessions provided are simply not applied. The *Volksrat* Co tution also contains various provisions intended solely as bli in particular those which give the right to all citizens to exj their views freely and openly, to gather together (Articl and to strike (Article 14). In point of fact, all public gathering organized from above, and any individual attempting to c public meeting would soon be charged with 'treachery to working class'.

Reichsrecht bricht Landrecht (Reich law overrides State Law precept which, with modifications to suit the circumstances o day, has never been absent from the minds of German Cons tion-makers. It occurs in the Weimar Constitution as Articl and in the Bonn Constitution as Article 31. Nevertheless, ir general opinion of Anglo-Saxon authorities on constitutional it is the antithesis of any real federal system, in which the leg tion of each constituent part is supreme within its own spl Again, the administration of federal laws by individual states practice which dates back to the days of the German Confedera In any real federation, on the contrary, separate administra are essential to the maintenance of each unit's independence Anglo-Saxon constitutionalists see it, the undue degree of procal dependence which exists between the state (now the L and the Federation makes domination by the latter inescap: Instead of being partners in a joint task, the Lander tend to bec merely administrative agencies of the Federation. The best s tion that could be achieved in Bonn was the creation of a syste which the Länder could participate jointly in the Federation when united, could effectively defend their own interests. This done by creating a *Bundesrat*, a strong legislative chamber re senting the Lander which at the same time has sufficient coı over federal legislation and administration to prevent the ur centralization of power at the expense of the Lander.

The Basic Law is more federal in character than the Wei Constitution, and it safeguards the autonomy of the Länder n adequately. Thus Article 50 lays down that the Länder *partici* in the legislation and administration of the Federation through medium of the *Bundesrat*, whereas Article 60 of the Wei Constitution states: 'A *Reichsrat* shall be formed in order *represent*[1] the German Länder in the legislation and administra

[1] Author's italics.

f the *Reich.*' The same difference is reflected in the respective
owers given by the two Constitutions to the Second Chamber in
egard to federal legislation and administration. The balance in
avour of the Länder has now been redressed to the extent that,
hrough the operation of Article 72, education, cultural and
eligious affairs, public health, the press, and films (but see
eservation in Article 75, paragraph 2) are now left largely to the
esidual power of the Länder. The powers of the Federation to
egislate on concurrent matters (see below) are now limited, as are
ts powers to issue general provisions. The *Bundesrat* has the right
f absolute veto over an important field of legislation, and, as
ompared with Weimar, the Federation has lost its initiative in the
romotion of social welfare and also in the maintenance of public
rder and safety wherever the issue of uniform regulations for the
vhole territory is necessary. Consequently, the Lander now
njoy considerably greater legislative powers than under the
Veimar Constitution.

Defining the position of the Länder as the residual depository of
tate power, Article 30 lays down that the exercise of the powers of
he State and the performance of State functions shall be the con-
ern of the Länder unless the Basic Law prescribes or permits
therwise. A guarantee is thus given that the Federation will not
ncroach on the legal rights of the Länder. In order to determine
ow far this Article reflects the relative strength of the Federation
nd the Lander we must see what are the cases in which the Basic
aw 'prescribes or permits otherwise'. The Basic Law divides
egislative competence between the Federation and the Lander
vhilst laying down principles and limitations applying to both.
or example: 'The general rules of international law shall form
art of federal law. They shall take precedence . . and create
ghts and duties directly for the inhabitants of the federal ter-
itory' (Article 25). Again, activities tending or intended to disturb
eaceful relations between nations are punishable, and the manu-
acture, transport, and marketing of war weapons are subject to
he permission of the Federal Government (Article 26). A funda-
entally important restriction on the Länder is provided by Article
8, which requires that 'the constitutional order in the Lander
ust conform to the principles of the republican, democratic, and
ocial State within the meaning of the Basic Law. In the Länder,
reise, and *Gemeinden* the people must have a representative
ssembly resulting from universal, direct, free, equal, and secret
ections.' The *Gemeinden* must be granted the right of self-
overnment. The Federation is called upon to guarantee that the
onstitutional order of the Länder shall correspond to the Basic
ights and to the above-mentioned provisions of Article 28.

The Federation's right to legislate extends to three categories of subjects: those matters in which it has exclusive jurisdiction; those in which it shares jurisdiction with the Länder; and those in which it can issue general provisions. In the case of the second category, known as concurrent legislation, the Länder may legislate so long and so far as the Federation does not do so (Article 72).

Article 73 provides that the Federation shall have *exclusive* legislation over eleven matters which are normally reserved to any federation, as distinct from its component states (foreign affairs, citizenship, passports, currency, customs, railways, communications, etc.). *Concurrent* legislation extends to civil law, crimin law, the constitution and procedure of the bar, notaries, census an registry matters, associations and assemblies, aliens, citizenshi pensions, labour law, and some fifteen other subjects (Article 74

In general the Federation steps in where a matter cannot b effectively regulated by Land legislation, where the interests o other Länder might be prejudiced, or where the preservation o legal or economic unity demands it—e.g. for the maintenance o uniform living conditions (Article 72). In the field of taxatio where the Federation shares legislative competence with th Lander, no federal law can be passed without the approval of th *Bundesrat*.

The distribution of legislative powers under the *Volksra* Constitution is very different. Legislative sovereignty is reserved simply and solely for the central authority. 'The laws are decided by the *Volkskammer* or directly by the people by means of a plebiscite' (Article 81). The Constitution may be amended by a law passed by a two-thirds majority of the *Volkskammer* or, more significantly, by a plebiscite in which a simple majority of votes suffices (Article 83). The participants in a plebiscite must vote in favour of or against a draft law circulated with the plebiscite papers. On all subjects the Republic can issue laws valid throughout the territory. The Lander have the right to legislate in those fields in which the Republic has not used its own right of legislation (Article 111). The Länder may not, however, legislate on certain subjects which are within the exclusive province of the Republic (Article 112). The list of these subjects contains practically all those listed in Article 73 of the Basic Law, but under the *Volksrat* Constitution much that falls under concurrent legislation under Article 74 of the Basic Law is reserved to the Republic exclusively. The more important matters are civil law, criminal law, the constitution of the courts, economic and labour legislation, social insurance, and war damages and compensation.

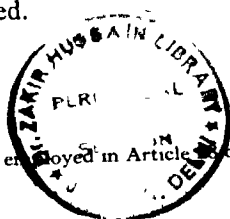
The *Volksrat* Constitution also provides for two Chambers, the *Volkskammer* and *Länderkammer*. The former, 'the highest organ

of the state power of the Republic', comprises deputies elected for four years by 'universal, equal, direct, and secret suffrage' (Article 51).[1] The candidates, however, must be on a list proposed by 'democratic associations', a provision which also applies to all organs of the Lander and of local government. It can never be said that 'Schulze is the friend, not Muller'—everybody on the list is a friend. The 'democratic associations' are restricted to 'those which provide by their statutes for the establishment of democracy in the governmental and social life of the Republic and which have an organization extending throughout the whole territory' (Article 13). This of course means that only such bodies as are directly under Communist control can determine who shall be elected by 'universal, equal, direct, and secret suffrage' The *Volkskammer* enjoys not only supervision over the Government but also the right to determine governmental policy, elect the members of the Supreme Court, and create a Constitutional Committee to act as a Constitutional Court (Article 78 sqq). It cannot be dissolved, but it automatically comes to an end if, having brought about the fall of one Government and chosen another, it withdraws its confidence from the latter The *Länderkammer* plays a very subordinate role, possessing only the right to bring bills before the *Volkskammer* and to exercise a suspensory veto.

Under the *Volksrat* Constitution the Government consists of the Minister President and the Ministers. The Minister President elaborates the general policy of the Government in accordance with principles drawn up by the *Volkskammer*.

To revert to the Basic Law, we find that general government policy is determined by the Federal Chancellor, within this framework each Minister acts on his own responsibility, but, under Article 80, is strictly limited in his power to issue decrees. In matters of finance the Basic Law strikes a fine balance of competence, though the Federation has greater potentiality for exercising pressure on the Lander than vice versa. Provision is made for a judiciary comprising a Federal Constitutional Court, a Supreme Federal Court, Higher Federal Courts, and the Courts of the Lander Judges are independent and subject only to the law. Extraordinary Courts are inadmissible. Guarantees are provided against arbitrary arrest and against ill treatment under detention, and the death penalty is abolished.

E. B. W.

[1] The absence of the word 'free', as employed in Article [illegible] of the Basic Law, will be noted.

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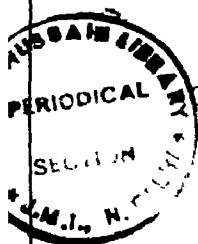
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